A copy of this preliminary prospectus has been filed with the securities regulatory authority in British Columbia but has not yet become final. Information contained in this preliminary prospectus may not be complete and may have to be amended.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities. No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise.

These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States (as such term is defined in Regulation S under the U.S. Securities Act) and may not be offered, sold or delivered, directly or indirectly, in the United States, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States.

PRELIMINARY PROSPECTUS

NON-OFFERING PROSPECTUS January 10, 2019

CALYX

GROWTH

CALYX GROWTH CORPORATION

1,000,000 Qualified Units on exercise or deemed exercise of 1,000,000 Special Warrants

This prospectus (the "**Prospectus**") is being filed with the British Columbia Securities Commission (the "**BCSC**") for the purpose of allowing Calyx Growth Corporation (the "**Company**") to comply with Policy 2 – *Qualifications for Listing of the Canadian Securities Exchange* of the Canadian Securities Exchange (the "**CSE**") in order for the Company to meet one of the eligibility requirements for the listing of the Company's common shares (the "**Common Shares**") on the CSE by becoming a reporting issuer pursuant to applicable securities legislation in the Province of British Columbia. Upon the final receipt of this Prospectus by the BCSC, the Company will become a reporting issuer in British Columbia.

Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company from its general corporate funds.

This Prospectus qualifies for distribution 1,000,000 units (the "**Qualified Units**") of the Company issuable for no additional consideration upon exercise or deemed exercise of 1,000,000 special warrants (the "**Special Warrants**") of the Company issued on December 24, 2018 at a price of CAD$0.25 (the "**Offering Price**") per Special Warrant to purchasers in certain provinces of Canada on a non-brokered private placement basis pursuant to prospectus exemptions under applicable securities legislation and in jurisdictions outside of Canada in compliance with laws applicable to each subscriber, respectively (the "**Offering**"). Each Qualified Unit consists of one common share in the capital of the Company (each, a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, an “**Underlying Warrant**”). Each Underlying Warrant will entitle the holder thereof to acquire one common share in the capital of the Company (each, an “**Underlying Share**”) at an exercise price of CAD$0.25 until December 24, 2019. See “*Plan of Distribution*”.

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Qualified Units upon the exercise or deemed exercise of the Special Warrants.

	Price	**Net Proceeds to the Company** [(1)]
Per Special Warrant	CAD$0.25	
Total	**$185,185**	**$185,185**

Notes:
(1) Before deducting the legal, accounting, and administrative expenses of the Company in connection with the Offering.

Subject to the terms and conditions of the certificates representing the Special Warrants, each of the Special Warrants entitles the holder thereof to acquire, upon voluntary exercise prior to, or deemed exercise on, the Deemed Exercise Date (as defined below), one Qualified Unit, subject to adjustment in certain circumstances, without payment of any additional consideration.

The Special Warrants will be deemed to be exercised on the earlier of the third business day after the date on which a receipt for a (final) prospectus has been issued by the securities regulatory authorities in the Province of British Columbia, or the date that is four months and a day from closing of the Offering (the “**Deemed Exercise Date**”), at which time each Special Warrant shall be automatically exercised for one Unit Share and one-half of one Underlying Warrant, subject to adjustment in certain circumstances, without payment of any additional consideration and without further action on the part of the holder.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Province of British Columbia (the “**Qualifying Jurisdiction**”) and in jurisdictions outside of Canada in compliance with laws applicable to each such subscriber, respectively. There is no market through which the Special Warrants may be sold and none is expected to develop. However, pursuant to the terms and conditions of the certificates representing the Special Warrants, the Special Warrants will be deemed to be exercised on the Deemed Exercise Date.

In the event that a holder of Special Warrants exercises such securities prior to the earlier of the Qualification Date and the date which is four months and one day after the original date of issuance of the Special Warrants, the Unit Shares and Underlying Warrants issued upon exercise of such Special Warrants will be subject to statutory hold periods under applicable securities legislation and shall bear such legends as required by securities laws.

No additional proceeds will be received by the Company in connection with the issuance of the Qualified Units upon exercise or deemed exercise of the Special Warrants.

Concurrently with the filing of this Prospectus, the Company will make an application for listing on the Canadian Securities Exchange (the “CSE”). Listing is subject to the Company fulfilling all of the listing requirements of the CSE, including meeting all minimum listing requirements.

There is currently no market through which any of the securities of the Company may be sold and holders of the Company’s securities may not be able to resell any such securities. This may affect the pricing of the Company’s securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United

States of America.

An investment in the securities of the Company is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading "*Risk Factors*". **No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus.**

No person has been authorized to provide any information or to make any representation not contained in this Prospectus and, if provided or made, such information or representation should not be relied upon. The information contained in this Prospectus is accurate only as of the date of this Prospectus.

Two of the persons providing a certificate under part 5 of National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators, are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The individuals, Jason T. Nguyen, Robert J. Brilon, have each appointed Buttonwood Law Corporation of Suite 1510, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2, as their respective agent for service of process in British Columbia. **It may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada even if the party has appointed an agent for service of process.**

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Unless otherwise noted all currency amounts in this Prospectus are stated in United States dollars.

The Company is expected to indirectly derive a portion of its revenues from the cannabis industry in the State of Arizona (where local state law permits such activities); however, such industry is illegal under U.S. federal law.

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, including the State of Arizona, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the *Controlled Substances Act* (the "CSA"). An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Over half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future business and investments in the United States.

For the reasons set forth above, the Company's interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that they were working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, the TMX Group issued a further statement acknowledging that the matter is complex and touches multiple aspects of Canada's capital market system and, as such, requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the interim, the TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. On February 8, 2018, CDS signed a memorandum of understanding (the "CDS MOU") with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, the "Exchanges"). The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

There are a number of risks associated with the business of the Company. See "Risk Factors".

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GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company are defined. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

"**ADHS**"	means the Arizona Department of Health Services.
"**Associate**"	means, when used to indicate a relationship with a person or company: (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer; (b) any partner of the person or company; (c) any trust or estate in which the person or company has a substantial benefit interest or in respect of which a person or company serves as trustee or in a similar capacity; (d) in the case of a person, a relative of that person, including (i) that person's spouse or child, or (ii) any relative of the person or of his spouse who has the same residence as that person; but (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member Company or holding company of a Member Company, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member Company or holding company.
"**BCBCA**"	means the *Business Corporations Act* (British Columbia).
"**Board**" or "**Board of Directors**"	means the board of directors, or comparable corporate governing structure, of the Company.
"**bulk flower**"	is an unprocessed large quantity bag of strain-specific flower which is generally packaged between 2 lbs. to 5 lbs.
"**CBD**"	means cannabidiol, a naturally occurring cannabinoid constituent of cannabis.
"**CEO**"	means Chief Executive Officer.
"**CFO**"	means Chief Financial Officer.
"**Class A Shares**"	means the Class A multiple voting common shares in the capital of the Company, each Class A Share convertible into 100 Common Shares with the right to one vote for each Common Share into which such Class A Shares are convertible.
"**Common Shares**"	means the common shares in the capital of the Company.
"**company**"	means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Company**"	means Calyx Growth Corporation, a corporation existing under the BCBCA.
"**Company Financial Statements**"	means the audited financial statements of the Company for the years ended December 31, 2017 and December 31, 2016, together with the notes thereto and the auditors' report thereon, and unaudited interim financial statements of the Company for the nine months ended September 30, 2018, attached hereto at Schedule "A".
"**Company MD&A**"	means the management's discussion and analysis of the Company for the year ended December 31, 2017 and the management's discussion and analysis of the Company for the nine months ended September 30, 2018, attached hereto at Schedule "B".
"**concentrates**"	means refined cannabis products including but not limited to oil, wax, shatter, or sauce.
"**Control Person**"	means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
"**Crude**"	means concentrated oil extracted from trimmings or plant material in an unrefined state.
"**CSE**" or "**Exchange**"	means the Canadian Securities Exchange.
"**curing room**"	means the physical room where bulk flower is aged so it is "cured" in a strain-specific section to achieve the desired characteristics. Flowers are placed in this room after the initial drying/cure period, then trimmed from the stems, but have not yet been processed into final consumer containers for sale.
"**Deemed Exercise Date**"	means the date the Special Warrants are deemed to be exercised, which is the earlier of the third business day after the date on which a Final Receipt has been issued, or the date that is four months and a day from closing of the Offering;
"**Final Receipt**"	means the receipt issued by the Principal Regulator, evidencing that a receipt has been, or has been deemed to be, issued for the final Prospectus in British Columbia;
"**Finder's Fee Agreement**"	means the finder's fee agreement between the Company and Cameron and Associates made effective December 21, 2018, with respect to the New Gen Transaction.
"**Finder's Warrants**"	means the 2,000,000 share purchase warrants issued to a finder, exercisable at a price of CAD$1.00 for a period of 12 months from the date of issuance, to acquire 2,000,000 Common Shares pursuant to the terms and conditions of the Finder's Fee Agreement.
"**HWC**"	means Herbal Wellness Center, Inc., a non-profit entity incorporated pursuant to the laws of the State of Arizona.
"**Hydroponics Solutions**"	means Hydroponics Solutions LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.
"**IFRS**"	means the International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee;

"**Insider**" means:

(a) a director or senior officer of the Company;

(b) a director or senior officer of the Company that is an Insider or subsidiary of the Company,

(c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company; or

(d) the Company itself if it holds any of its own securities.

"**inventory pre-pack**" means the physical room dedicated to converting bulk cannabis material into products for sale at HWC's dispensary or for wholesale to other Arizona dispensaries, and is also used to store processed sellable retail products for delivery to the dispensary and back-stock for the dispensary.

"**Lab**" means the physical room where cannabis concentrates are processed into their final bulk form.

"**License Holders**" means cultivation, producer, production, sale, and dispensary license holders.

"**LLC**" means a limited liability company, a specific private limited company in the United States.

"**Named Executive Officers**" or "**NEO**" means:

(a) the CEO, or comparable position;

(b) the CFO, or comparable position;

(c) each of the issuer's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds CAD$150,000 per year; or

(d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of the issuer at the end of the most recently completed financial year.

"**New Gen**" means New Gen Holdings Inc., a corporation continued pursuant to the laws of the State of Wyoming.

"**New Gen Transaction**" means the purchase and sale of all the issued and outstanding shares of New Gen in accordance with the terms and conditions of the Share Exchange Agreement.

"**New Gen Admin**" means New Gen Admin Services, LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.

"**New Gen Agricultural**" means New Gen Agricultural Services, LLC, a limited liability company incorporated pursuant to the laws of the State of Arizona.

"**New Gen Facilities**" means (i) the approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 leased by New Gen for a term beginning on September 1, 2018 and terminating on April 30, 2024; and (ii) the 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot

	building at the rear parking lot at 4140 W. Indian School Road owned by New Gen.
“**New Gen Real Estate**”	means New Gen Real Estate Services, LLC, a limited liability company formed pursuant to the laws of the State of Arizona.
“**NI 41-101**”	means National Instrument 41-101 – *General Prospectus Requirements*, of the Canadian Securities Administrators.
“**NI 45-102**	means National Instrument 45-102 – *Resale of Securities*, of the Canadian Securities Administrators.
“**NI 52-110**”	means National Investment 52-110 – *Audit Committees*, of the Canadian Securities Administrators.
“**Offering**”	means the non-brokered private placement of 1,000,000 Special Warrants at a price of CAD$0.25 per Special Warrant for total gross proceeds of CAD$250,000 that closed on December 24, 2018. Each Special Warrant entitles the holder to acquire, without further payment, one Qualifying Unit. The Special Warrants will be deemed converted into one (1) Qualifying Unit on the earlier of the third business day after the date on which a Final Receipt has been issued, or the date that is four months and a day from closing of the Offering;
“**Options**”	means stock options to acquire Common Shares.
“**Person**”	means a company or individual.
“**Principal Regulator**”	means the British Columbia Securities Commission.
“**processed/processing**”	means breaking down one large unit of material into many individual units of barcoded items for retail sale.
“**Pro-forma Consolidated Financial Statements**”	means the unaudited consolidated statement of financial position of the Company and New Gen as at September 30, 2018, together with the notes thereto, attached hereto as Schedule “E”.
“**Promoter**”	“Promoter”means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

"**Qualification Date**"	means the date on which the Final Receipt is issued;
"**Qualifying Jurisdiction**"	means the Province of British Columbia;
"**Qualifying Units**"	means the 1,000,000 units of the Company issued on exercise or deemed exercise of the Special Warrants. Each Qualified Unit consists of one Unit Share and one-half of one Underlying Warrant;
"**Regulation S**"	means Regulation S promulgated under the U.S. Securities Act.
"**SEDAR**"	means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.
"**shake**"	means cannabis flower material that is too small or undesirable for stand-alone sale.
"**Share Exchange Agreement**"	means the share exchange agreement, dated effective as of December 21, 2018, and as amended by the Addendum No. 1 dated effective as of December 27, 2018, between the Company, New Gen, and the shareholders of New Gen.
"**Shareholders**"	means holders from time to time of Common Shares.
"**Solvent**"	means the liquid gas used to strip terpenes and crude from plant matter. N-butane and N-propane are used for crude.
"**Special Warrant**"	means a special warrant issued by the Company entitling the holder the right to acquire, without additional payment, one Qualified Unit for each Special Warrant held. The issuance of the Unit Shares is qualified under this Prospectus;
"**Step 1**"	means Step 1 Consulting, LLC, a limited liability company incorporated pursuant to the laws of the State of Delaware.
"**Stock Option Plan**"	means the incentive stock option plan of the Company.
"**strain**"	means a specific type or genetic variation of cannabis flower.
"**Underlying Share**"	means the Common Share issued upon the exercise of the Underlying Warrant, and payment thereof;
"**Underlying Warrant**"	means the Common Share purchase warrant of the Company of which one-half forms part of the Qualified Unit. Each Underlying Warrant entitles the holder thereof to acquire one additional Warrant Share at CAD$0.25 per Warrant Share for one year following the date of issuance;
"**Unit Share**"	means the Common Share partially forming the Qualified Unit upon exercise or deemed exercise of the Special Warrants, qualified under this Prospectus;
"**US Securities Act**"	means the *U.S. Securities Act of 1933*, as amended.
"**USDA**"	means the United States Department of Agriculture.
"**USA**", "**United States**", "**U.S.**" or "**US**"	means the United States of America, its territories and possessions, and any state of the United States, and the District of Columbia.
"**Vapen LLC**"	means Vapen, LLC, a limited liability company formed pursuant to the laws of the State of Arizona.
"**virtual curing room**"	means the virtual Biotrack room that houses barcoded and strain-specific bulk flower.

"**virtual inventory pre-pack**" means the virtual Biotrack room that houses barcoded and processed products for retail sale or delivery.

"**Warrants**" means share purchase warrants exercisable to acquire Common Shares.

"**X-Tane**" means X-Tane LLC, a limited liability company formed pursuant to the laws of the State of Arizona.

GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise "we", "us", "our" or the "Company" refer to Calyx Growth Corporation and its direct and indirect subsidiaries.

The Company is not offering to sell securities under this Prospectus. Readers should rely only on the information contained in this Prospectus. The Company has not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Company's business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its financial statements in Canadian dollars. Amounts in this Prospectus are stated in United States dollars unless otherwise indicated.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are included in this Prospectus (see *"Financial Statements"*):

1. Audited financial statements of the Company for the years ended December 31, 2017 and December 31, 2016;

2. Unaudited interim financial statements of the Company for the nine months ended September 30, 2018;

3. Audited financial statements of New Gen as at for the years ended December 31, 2017 and December 31, 2016; and

4. Unaudited interim financial statements of New Gen for the nine months ended September 30, 2018.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements or information (collectively "forward-looking statements") that are based on current expectations, estimates, forecasts, projections, beliefs and assumptions made by management of the Company about the industry in which it operates. Such statements include, in particular, statements about the Company's plans, strategies and prospects under the headings "Summary", "Risk Factors", and "Management's Discussion and Analysis". Words such as "expect", "anticipate", "intend", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Company does not intend, and disclaims any obligation, to update any forward-looking statements after it files this Prospectus, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this Prospectus.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the intention to complete the listing of the Common Shares on the CSE and all transactions related thereto;
- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- the Company’s plan to complete Phase IV of building a physical plant for cultivation;
- the Company’s intention to enter into management services agreements with License Holders and its ability to secure additional management services agreements;
- expectations with respect to future production costs and capacity;
- the grant and impact of any license or supplemental license to HWC to conduct activities with marijuana or any amendments thereof;
- expectations with respect to the future growth of its medical and/or adult-use recreational cannabis products;
- the Company’s competitive position and the regulatory environment in which the Company operates;
- the Company’s expectation that revenues derived from its operations will be sufficient to cover its expenses over the next twelve months;
- the Company’s expected business objectives for the next twelve months;
- the Company’s ability to obtain additional funds through the sale of equity or debt commitments; and
- the legalization of the use of marijuana for medical and/or adult recreational use in jurisdictions outside of the State of Arizona and the Company’s opportunities for expansion into such jurisdictions.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. In making the forward looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company’s ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company’s ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company’s competitors; and (ix) that the Company’s current good relationships with our service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under “Risk Factors”, which include:

- the continuing operations of the Company are dependent upon the Company’s ability to continue to earn adequate revenues from operations, and to raise adequate financing;

- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- the Company is subject to changes in laws in the State of Arizona and the federal laws of the United States, which could adversely affect the Company's future business, financial condition and results of operations;
- there is no assurance that the Company, through its wholly-owned subsidiary New Gen and New Gen's operating subsidiaries, will continue to turn a profit or generate revenues in the future although New Gen, on a consolidated basis, has recorded profits for the years ended December 31, 2016 and December 31, 2017 as well as for the nine months ended September 30, 2018;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- there is no assurance that the Company will obtain and retain any relevant licenses;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company currently has insurance coverage; however, because the Company's business is ancillary to the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;

- the Company is currently reliant on the New Gen Facilities. Adverse changes affecting the New Gen Facilities and the Phase IV buildout of a physical plant for cultivation could materially affect the Company's plans;

- the Company will continue to operate in the manner disclosed in this Prospectus but management retains the discretion to diversify its business;

- the Company's only tenant is HWC and although rental revenues generated from HWC do not represent a significant portion of its overall revenue, the Company is reliant on its only tenant;

- the Company may face significant competition from other facilities;

- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;

- the Company will be reliant on information technology systems and may be subject to damaging cyberattacks;

- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;

- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;

- in certain circumstances, the Company's reputation could be damaged;

- the Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed and, as a result of the Company's ancillary involvement in such industry, the Company's business may suffer;

- the Company may not be able to obtain all necessary licenses and permits or complete construction of its facilities on a timely basis, which could, among other things, delay or prevent the Company from becoming profitable;

- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;

- some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law;

- the enforcement of relevant laws is a significant risk;

- the Company's investments and operations in the United States may be subject to heightened scrutiny;

- the Company's directors, officers, employees, and its investors may face challenges entering the United States;

- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;

- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes;

- the Company cannot assure you that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be;

- U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance;

- the Company's contracts may not be legally enforceable in the United States;

- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE;
- it may be difficult, if not impossible, for U.S. holders of Common Shares to resell them over the CSE;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company is subject to uncertainty regarding Canadian and U.S. legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares;
- the Company is subject to currency fluctuations; and
- no guarantee on the use of available funds by the Company.

These factors should not be considered exhaustive. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

All of the forward-looking statements contained in this Prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire Prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and knowledge of Arizona, and more generally the United States, cannabis market and economy, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Forward-Looking Statements" and "Risk Factors".

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary of Terms" beginning on page 1.

Principal Business of the Company

The Company, through its wholly-owned subsidiaries, currently operates as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee all aspects of cultivation, extraction, creation of edibles, retail dispensary, and wholesale distribution of cannabis products. The Company provides real property and equipment for lease in the cultivation, extraction, dispensation and processing of cannabis products, including the use of an edibles kitchen, and provides enhanced ancillary services to the agricultural and cannabis industries in the State of Arizona.

The Company's mission is to enable licensed cultivators of cannabis to enhance both crop quality and yields through internally developed expertise and the use of clean technology and tools. For example, the Company's research and development strategy is to generate diverse product offerings with branded packaging by targeting (1) cultivation of cannabis using genetic development expertise and yield & quality management analysis and (2) product development with a focus on ingestion methods, various edibles, beverages, topical creams, inhalers and other discreet delivery options.

The Company is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly-owned subsidiaries, also provides long-term advisory and management services in cannabis crops.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, leases an approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 and has sub-leased it to HWC for a term beginning on September 1, 2018 and terminating on April 30, 2024. In addition, the Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road and leases both buildings to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling 636 square feet is used for manager and outreach offices. The New Gen Facilities are also used for cultivation, product drying, product processing, product packaging and infusion into edible products for HWC. The New Gen Facilities provide hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);
- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

New Gen also owns a 2,100-square-foot building located at 4140 East Indian School Road which currently is not being leased to HWC.

On December 21, 2018, the Company entered into the Share Exchange Agreement with New Gen, an arm's length party, and the shareholders of New Gen, whereby it agreed to acquire all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. The Share Exchange Agreement was subsequently amended by Addendum No. 1 dated effective December 27, 2018. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company.

The Company's head office, as well as its registered and records office, is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

No Proceeds Raised

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC for the purpose of allowing the Company to become a reporting issuer in such jurisdiction and to enable the Company to develop an organized market for its Common Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

The Listing

The Company has applied to list its Common Shares on the CSE. Listing will be subject to the Company's fulfilling all of the listing requirements of the CSE, including, without limitation, the distribution of the Company's Common Shares to a minimum number of public shareholders and the Company meeting the minimum listing requirements.

Risk Factors

An investment in the securities of the Company is speculative and involves a high degree of risk. The following are a summary of certain of the risk factors described elsewhere herein. Prospective purchasers should carefully consider the information set out under "*Risk Factors*" and the other information in this Prospectus before purchasing securities of the Company.

Credit Risk

The Company is subject to credit risk (the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations) on its receivables. As at December 31, 2017 and 2016, the Company, through its wholly-owned subsidiary New Gen and New Gen's operating subsidiaries, was dependent on one major customer from its consulting business segment. The majority of the Company's accounts receivable, on a consolidated basis, is from this customer. The Company has taken an allowance for all receivables earned prior to 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2017, on a consolidated basis, it is not exposed to significant credit risk from this customer, as the majority of the outstanding accounts receivables was received by the Company subsequent to the year ended December 31, 2017.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management. As at December 31, 2017, the Company, on a consolidated basis, had accounts receivables of $9,121,521 to settle its bank indebtedness, accounts payable and short-term notes payable of $936,017. Management believes that the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Limited Operating History

The Company was incorporated on December 11, 2015 and does not have a history of profitable operation. The Company's wholly-owned subsidiary New Gen was incorporated on July 8, 2014 and has a history of profitable operations. However, there is no assurance that going forward the Company, through its subsidiaries, will continue to be profitable or will be successful in achieving a return on shareholders' investment.

History of Net Losses

The Company may not be able to maintain profitability and may incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company does not generate revenues to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Operating Cash Flow

The Company, through its subsidiaries, has generated positive working capital for the prior two fiscal years and there is no reason to presume that it will not continue to do so. The Company may however encounter circumstances which may adversely affect its viability.

Summary Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Company Financial Statements, and the notes thereto (included at Schedule "A" to this Prospectus), the New Gen Financial Statements, and the notes thereto (included at Schedule "C" to this Prospectus), and the Pro-forma Financial Statements, and the notes thereto (included at Schedule "E" to this Prospectus), and should be read in conjunction with the respective management's discussion and analysis thereto, attached at Schedule "B" and Schedule "D" to this Prospectus.

	New Gen for Period Ended September 30, 2018 (unaudited) ($)	Company for Period Ended September 30, 2018 (unaudited) (CAD$)	Pro-Forma Consolidated Financial Statements as at September 30, 2018 (unaudited)
Revenue	13,855,380	–	13,855,380
Total Expenses	(10,449,921)	(1,750)	(10,933,692)
Net Income (Loss)	3,405,459	(1,750)	2,921,688
Current Assets	14,420,103	6,482	16,387,751
Total Assets	20,729,855	6,482	22,697,503
Total Liabilities	6,763,183	233	6,763,416
Total Liabilities and Shareholders' Equity	20,729,855	6,482	15,934,087

See *"Selected Financial Information"*.

CORPORATE STRUCTURE

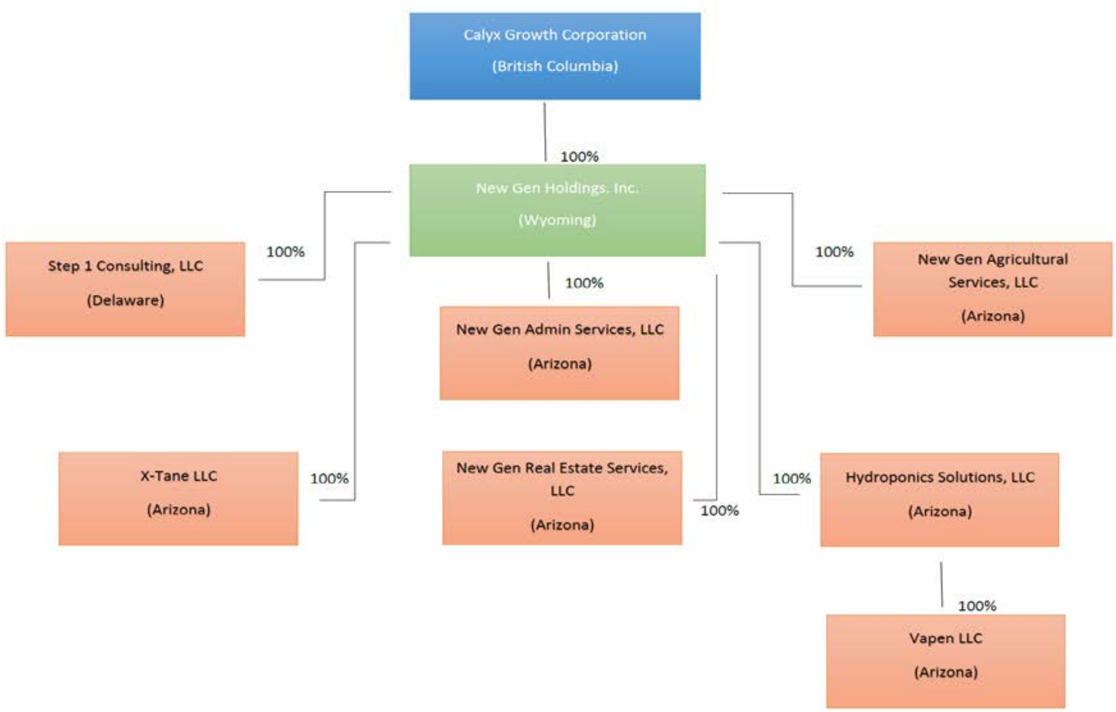
Name, Address and Incorporation

The Company was incorporated under the BCBCA as "Fabula Exploration Inc." on December 11, 2015. On December 31, 2018, the Company completed the New Gen Transaction, and, as a result, New Gen became a wholly-owned subsidiary of the Company and amended its Articles of Incorporation to change its name to "Calyx Growth Corporation".

The Company's head office is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9. The Company's registered and records office is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

Intercorporate Relationships

The Company has eight (8) wholly-owned subsidiaries: (i) New Gen; (ii) Step 1; (iii) Hydroponic Solutions; (iv) Vapen, LLC; (v) New Gen Real Estate; (vi) New Gen Admin; (vii) New Gen Agricultural; and (viii) X-Tane LLC. The corporate structure of the Company is outlined in the diagram below and is current as at the date of filing of this Prospectus.



<u>Subsidiaries</u>

The Company owns 100% of the issued and outstanding common shares of New Gen Holdings Inc. ("**New Gen**"). New Gen was incorporated in the State of Nevada on July 8, 2014 and continued into the State of Wyoming on

December 28, 2016. New Gen's head office is located at 1712 Pioneer Avenue, Suite 500, Cheyenne, Wyoming, 82001. New Gen's registered office is located at 1712 Pioneer Avenue, Suite 500, Cheyenne, Wyoming, 82001.

New Gen owns 100% of the membership units of Hydroponics Solutions, LLC ("**Hydroponics Solutions**"). Hydroponics Solutions was incorporated in the State of Arizona on February 19, 2013. Hydroponics Solutions' head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Hydroponics Solutions' registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. In turn, Hydroponics Solutions owns 100% of the membership units of Vapen, LLC ("**Vapen LLC**"). Vapen LLC was incorporated in the State of Arizona on January 5, 2017. Vapen LLC's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Vapen LLC's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Admin Services, LLC ("**New Gen Admin**"). New Gen Admin was incorporated in the State of Arizona on September 5, 2014. New Gen Admin's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Admin's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Agricultural Services, LLC ("**New Gen Agricultural**"). New Gen Agricultural was incorporated in the State of Arizona on September 5, 2014. New Gen Agricultural's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Agricultural's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of New Gen Real Estate Services, LLC ("**New Gen Real Estate**"). New Gen Real Estate was incorporated in the State of Arizona on September 5, 2014. New Gen Real Estate's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. New Gen Real Estate's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

New Gen owns 100% of the membership units of Step 1 Consulting, LLC ("**Step 1**"). Step 1 was incorporated in the State of Delaware on August 7, 2013. Step 1's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. Step 1's registered office is located at 108 West 13th Street, Wilmington, Delaware, 19801.

New Gen owns 100% of the membership units of X-Tane LLC ("**X-Tane**"). X-Tane was incorporated in the State of Arizona on September 23, 2016. X-Tane's head office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014. X-Tane's registered office is located at Suite 200, 777 East Missouri Avenue, Phoenix, Arizona, 85014.

THE BUSINESS

Overview

The Company, through New Gen, a wholly-owned subsidiary of the Company, and New Gen's operating subsidiaries, currently operates as an agricultural technology, supply, staffing, property management, and brand licensing services company, providing its services as the exclusive provider to a non-profit company known more particularly as Herbal Wellness Center. HWC is the holder of dispensary, cultivation, and extraction Arizona State-approved licenses to cultivate, extract and sell medical marijuana and related products to holders of medical marijuana cards.

The Company's services are provided individually by five of New Gen's operating subsidiaries (Step 1 Consulting, LLC; New Gen Admin Services LLC; New Gen Agricultural Services, LLC; New Gen Real Estate Services, LLC; and Hydroponics Solutions, LLC) pursuant to ten-year renewable management contracts, providing, among other things, employee leasing services, the use of a physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related consulting and administrative services. The Company provides real property and equipment for lease and enhanced ancillary services to the cannabis industry in the State of Arizona and other potential geographical areas.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, leases an approximately 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 and has sub-leased it to HWC for a term beginning on September 1, 2018 and terminating on April 30, 2024. In addition, the Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road and leases both buildings to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling 636 square feet is used for manager and outreach offices.

The New Gen Facilities are also used for cultivation, product drying, product processing, product packaging and infusion into edible products for HWC. The New Gen Facilities provide hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (mother, clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);
- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

During the nine months ended September 30, 2018, New Gen completed construction of its Phase III cultivation facility that will enable an approximate 30% increase in production yields of the Company's connoisseur quality flower. In addition, the added space has enabled the Company to further reconfigure the work flow within the production operation including, but not limited to, a new inventory curing station, expansion of flower cultivation, increased sizing of its extract operations, and improvement in sizing for packaging and managing VAPEN™ Kitchen operations.

HWC utilizes growing and extraction techniques available in the industry. The indoor flower growing facility deploys equipment with techniques developed and refined since 2013. HWC harvests on a weekly basis. The majority of THC extraction techniques have been developed internally with New Gen-designed and contractor-customized and fabricated equipment. HWC extracts shatter from its private reserve trim and crude THC from mostly purchased trim, and produces VAPEN Clear distillate from the crude. See "Proprietary Protection".

Hydroponics Solutions and its subsidiary Vapen, LLC process the CBD product line, consisting of quality flower, highest quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles, and VAPEN branded merchandise.

Therefore, from start to finish, New Gen manufactures, assembles, and packages cannabis finished goods for HWC across a variety of product segments:

(1) Inhalable: flower, dabbable concentrates (e.g. wax, crumble, shatter, live resin, sauce), dab applicators, pre-filled vaporizer pens, cartridges, and pods, and inhalers; and
(2) Ingestible: capsules, tinctures, syrups and edibles including baked goods, chocolates, gummies, and caramels.

HWC subsequently retails the marijuana flower and extraction products, specifically VAPEN Clear Distillate, Shatter, wax and infused edibles, to over 3,000 patients with medical marijuana cards per week. HWC also distributes VAPEN Clear products at wholesale prices to dispensaries located in Arizona. Diversified product lines include quality flower, highest quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles and VAPEN branded merchandise.

The Company invoices HWC on a monthly basis for the services provided to HWC related to cultivation, extraction, employee manpower, supply management, leasing land and buildings, making leasehold improvements on leased premises, and providing technical and agricultural expertise pursuant to the terms and conditions of five (5) exclusive management services agreements with HWC.

The Company intends to license its VAPEN brand to License Holders and cannabis producers worldwide and to utilize it in marketing efforts with industry orientated affiliates.

Production operations were structured to be both scalable and replicable. All operating procedures are standardized on a department by department basis. Indoor growing operations have been designed for efficiency of use through prior years' experience. The Company, through New Gen, has vetted and assessed both domestic and foreign vendors for supplies required in growing and packaging.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, operates in the United States, and has two major segments of operations, being its management and advisory services to non-for-profit entities in the medical marijuana field, and its sale of various types of low-pressure liquid gas.

The Company, through New Gen, a wholly-owned subsidiary, and New Gen's operating subsidiaries, earns revenue on the following activities:

1) Management fees. The Company provides monthly management fees at a fixed rate to its customer. This revenue is recorded monthly, when billed. As at December 31, 2017, management fees totaled $4,800,000 (2016 - $4,800,000).

2) Professional services. Revenues are derived from professional services associated with staff provided by the Company to its customer. The Company bills its customer monthly, based on a markup of paid wages and salaries. This revenue is recorded when billed. As at December 31, 2017, revenue from professional services totaled $4,047,071 (2016 - $3,446,080).

3) Product sales. Product sales relate to the sale of low-pressure tanks with liquid gas, as well as for materials and supplies purchased by the Company for the cultivation and dispensary facilities it provides to its customer. Revenue relating to the sale of the liquid gas is recognized when the tanks are shipped to the customer. Revenue from the materials and supplies used in cultivation and dispensary facilities is recognized when invoiced to the customer, based on the supplies purchased specifically for the cultivation and dispensary location. As at December 31, 2017, revenue from product sales totaled $4,574,684 (2016 - $1,788,539).

4) Equipment and property leasing. Revenues derived from leasing are recognized when invoiced to the customer. This revenue consists of amounts charged to the customer for leased equipment used in the cultivation and dispensary facilities, as well as buildings and property leased to the customer. As at December 31, 2017, revenue from equipment leasing totaled $913,775 (2016 - $1,733,844) and revenue from property leasing totaled $513,200 (2016 - $567,820).

Total revenues for the year ended December 31, 2017 amounted to $14,848,730 (2016 - $12,336,283) while the cost of goods sold totaled $6,055,155 (2016 - $3,856,783) for net revenue of $8,793,575 (2016 - $8,479,500).

The Company's inventory consists of various types of low-pressure liquid gas held in X-Tane LLC. There were no adjustments to inventory during the years ended December 31, 2017 and 2016. The amount of inventory recognized as cost of goods sold during the year ended December 31, 2017 was $271,414 (2016 - $8,337).

The Company's mission is to continue generating multiple revenues streams from enabling licensed cannabis operators to take advantage of their licenses. The Company provides services to enhance the cultivation of cannabis to increase both crop quality and yields through the application of internally developed expertise and the use of clean technology and tools. The Company also provides extraction techniques and know-how and packaging and manufacturing services for retail and wholesale distribution. Also, the Company will license brands that it develops to various License Holders worldwide.

The Company is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly-owned subsidiaries, also provides long-term advisory and management services in cannabis and trained staff to manage the facilities.

The New Gen Facilities provide the technology, and the structure to comply with Arizona and municipal cannabis laws in Phoenix, Arizona. The Company also provides supply services to HWC as a cannabis producer and cannabis production license holder, deriving income streams from HWC and potentially other License Holders for the cultivation, growing, processing, packaging, and distribution of cannabis within Arizona.

On December 21, 2018, the Company entered into the Share Exchange Agreement with New Gen, an arm's length party, and the shareholders of New Gen, whereby it agreed to acquire all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. The Share Exchange Agreement was subsequently amended by Addendum No. 1 dated effective December 27, 2018. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company.

Prior to the closing of the New Gen Transaction, the Company completed the Offering and raised gross proceeds of $185,185 through the issuance of Special Warrants. See "Plan of Distribution".

The Company's head office, as well as its registered and records office, is located at Suite 1980 – 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

Development

The Company was incorporated under the BCBCA as "Fabula Exploration Inc." on December 11, 2015. Since 2015, the Company has sought to invest in cannabis-related assets and companies for the purpose of entering the cannabis industry in State of Arizona. From incorporation to September 30, 2018, the Company has issued 630,500 common shares in initial financing rounds for gross proceeds of $18,915.

New Gen Transaction

On December 13, 2018, the Company entered into a letter of intent with New Gen, which agreement was superseded and replaced in its entirety on December 21, 2018, when the Company entered into the Share Exchange Agreement with New Gen whereby it acquired all of the issued and outstanding shares of New Gen in exchange for certain shares of the Company. Such share exchange was concluded on December 31, 2018. As a result of the share exchange New Gen became a wholly-owned subsidiary of the Company.

Upon completion of the New Gen Transaction on December 31, 2018, New Gen's shareholders (including, but not limited to, Jason T. Nguyen and Robert J. Brilon, two current directors of the Company) were issued 7,395,461 Common Shares and 625,287 Class A Shares. None of the New Gen shareholders had any beneficial ownership interest in the Company prior to completion of the New Gen Transaction.

Subsidiaries and Material Agreements

The New Gen subsidiaries were formed to provide certain management and advisory services, along with product packaging and branding services, to HWC and potentially other License Holders in the New Gen Facilities for the cultivation, production, and processing of cannabis. The following is a summary of the material contracts entered into between New Gen, through its subsidiaries, and HWC. See "Material Contracts" for more information. The contracts noted below have been recently executed and reflect original contracts entered into at the commencement of business operations in 2012. The agreements below supersede and replace all previous agreements.

<u>Step 1 Consulting LLC</u>

Management Services Agreement Between Step 1 and HWC, entered into on July 1, 2018

Step 1 is engaged in the business of providing management and advisory services including, but not limited to, property management; security; patient counseling and transportation in the operation and management of licensed medical and/or recreational marijuana dispensaries. HWC is a non-profit entity engaged in the business of planning, operating, managing, and owning a licensed medical marijuana dispensary known as Herbal Wellness Center, Inc. The agreement commences on July 1, 2018 and continues until the 10th anniversary of the effective date (July 1, 2028), superseding an agreement that had been in place between the parties since HWC's inception. On the expiration date, the term of the agreement automatically and without notice or action extends for an additional one-year period. The term will be continually extended for an additional year on each anniversary of the expiration date until the agreement is terminated in accordance with the agreement. Either party may terminate the agreement, upon written notice to the other party of any significant default not cured within 30 days. The parties may terminate the agreement, upon written notice by either party and acceptance by the other party.

Management services provided pursuant to the agreement include but are not limited to construction related services and remodeling of physical plant, advisory services related to dispensary operations, cultivation and extraction and integrated financial management services. HWC pays Step 1 a management fee of $150,000 per month, with any increases or decreases to occur by mutual agreement in writing by the parties.

<u>New Gen Agricultural Services LLC</u>

Management Services Agreement Between New Gen Agricultural and HWC, entered into on July 1, 2018

New Gen Agricultural is engaged in the business of providing management and advisory services, including, but not limited to, property management, security, and the operation and management of licensed medical and/or recreational marijuana cultivation, infusion kitchen, and extraction facilities. HWC is engaged in the business of planning, operating, managing, and owning a licensed medical marijuana cultivation, infusion kitchen, and extraction center known as Herbal Wellness Center, Inc. in Community Health Assessment Area number 60, and related activities. The agreement commences on July 1, 2018 and continues until the 10th anniversary (July 1, 2028), superseding an agreement that had been in place between the parties since HWC's inception. On the expiration date, the term of the agreement automatically and without notice or action extends for an additional one-year period. The term will be continually extended for an additional year on each anniversary of the expiration date until the agreement is terminated in accordance with the agreement. Either party may terminate the agreement upon written notice to the other party of any default not cured within 30 days. The parties may terminate the agreement upon written notice by either party and the acceptance by the other party (mutual consent).

Management services consist of operations management services specifically delineated by New Gen Agricultural's Standard Operating Procedures ("SOP's") including but not limited to the following:

a) Standard operating procedures for cultivation, extraction and kitchen facilities. New Gen Agricultural provides counsel, advice and assistance in connection with identifying the regulatory requirements and conditions that must be satisfied in order to commence with the operation of the cultivation, extraction and infusion kitchen facility:

- cultivation operations (grow, harvest, cure, etc.)
- extraction operations
- infusion kitchen operations

- inventory control operations and systems

(b) Cultivation, extraction and infusion kitchen facility equipment list

(c) Cultivation, extraction and infusion kitchen facility supply list

(d) A template staffing structure chart, including providing job descriptions for all positions on the template staffing structure chart.

If warranted, New Gen Agricultural will also provide amended policies and procedures to ensure adherence to compliance requirements and applicable law, which may include (i) security (including security operations P&Ps, opening checklist, and closing checklist) and (ii) inventory (including inventory operations P&Ps, opening checklist, and closing checklist).

HWC pays New Gen Agricultural a management fee of $250,000 per month, with any increases or decreases to occur by mutual agreement in writing by the parties.

New Gen Admin Services LLC

Staffing Services Agreement Between HWC and New Gen Admin, made and entered into on July 1, 2018

New Gen Admin provides employment leasing services by assigning permanent, temporary, or supplemental personnel for any and all professional orientations, up to and including human resources. New Gen Admin screens staff, including obtaining all pertinent information concerning past employment, licensure, certifications, education, and professional skills. Qualified staff have at least one year of prior work experience in the specialty area to which they are assigned and also possess a valid, original license to practice their profession as required by law, as well as any other professional certifications required for the practice of their specialty. The agreement is an exclusive engagement by HWC to only use New Gen Admin's services during the term of the agreement. New Gen Admin agrees to have staff available for HWC 24 hours a day, 7 days a week. The staff assigned by New Gen Admin to HWC under the agreement are assigned solely as independent employees of New Gen Admin and New Gen Admin bears sole, exclusive and total legal responsibility for the staff as the employer of the staff. New Gen Admin invoices HWC bi-weekly for services provided on credit terms of net 30 days. New Gen Admin will purchase and maintain during the duration of the agreement and after expiration of the agreement the following insurance coverage:

(i) worker's compensation and employer's liability coverage for New Gen Admin's legal and statutory obligations for damages due to bodily injuries occurring to New Gen Admin's employees, agents or servants as a result of employment;
(ii) general and professional liability covering New Gen Admin, its agents, employees, and servants for bodily injury, personal injury, or property damage claims arising out of the premises, products or activities of New Gen Admin. Minimum limits of liability for the coverage is $1,000,000 per occurrence;
(iii) unemployment insurance as required by law for all employees; and
(iv) automobile insurance if New Gen Admin or the staff requires the use of an automobile to perform work.

The term of the agreement is ten years beginning on July 1, 2018, superseding an agreement that had been in place between the parties since HWC's inception. Both parties agree that the agreement will automatically renew for additional one-year terms unless terminated, in writing, mutually by New Gen Admin and HWC, 30 days prior to its expiration. Either party may terminate the agreement at any time for significant default of the terms, upon 30 days written notice to the other party, and if the default is not cured during that period.

Hydroponic Solutions LLC

Equipment Lease and Professional Services Agreement between Hydroponics Solutions (Ste. 200, 777 E. Missouri Avenue, Phoenix, Arizona, 85014) and HWC (4126 W. Indian School Road, Phoenix, Arizona, 85019)

Hydroponic Solutions leases certain equipment, plus future equipment put into service. The total lease payments invoiced are based on equipment installed that month and for the period of time previously installed equipment has been in use, until the time the equipment is returned. The monthly invoices are reviewed and approved by HWC management within 30 days of issuance.

Hydroponic Solutions also provides to HWC the following professional services: (i) purchase and supply of cultivation supplies and materials; extraction supplies and materials; infusion kitchen supplies and materials; and general operating supplies; and (ii) contractor services in the areas of repairs and maintenance; built outs; and additions/remodels. Charges for the professional services are incurred on a monthly basis and determined by the services and materials purchased, delivered, and/or installed at the direction of HWC. These monthly invoices are reviewed and approved by HWC management within 30 days of issuance. The payment term is net 30 days from invoice.

The agreement is effective from July 1, 2018 until June 30, 2029, unless otherwise terminated, and supersedes an agreement that had been in place between the parties since HWC's inception. HWC has the option to renew the lease for a similar term on such terms as the parties may agree at the time of the renewal.

During the term of the lease, HWC pays all applicable taxes, assessments and license and registration fees on the equipment.

New Gen Real Estate Services LLC

First Amendment to Lease for 4215 N. 40th Street, Phoenix, Arizona, 85019 between SCF Properties LLC, a California limited liability company, as the "Lessor", and New Gen Real Estate, as the "Lessee", for the leased premises containing approximately 21,000 square feet

The Lessor and the Lessee originally entered into a lease agreement dated March 19, 2015 for the leased premises, and pursuant to the First Amendment the parties agreed to extend the lease term commencing May 1, 2018 and terminating April 30, 2024. The parties also agreed to the addition of additional space within the premises, consisting of approximately 7,000 square feet of additional space, for a total of 28,000 square feet of leased space, on the following terms:

May 1, 2016 to April 30, 2017 $11,200 + monthly rental tax
May 1, 2017 to April 30, 2018 $12,320 + monthly rental tax
May 1, 2018 to April 30, 2020 $12,950 + monthly rental tax
May 1, 2020 to April 30, 2023 $13,468 + monthly rental tax
May 1, 2023 to April 30, 2024 $14,007 + monthly rental tax

Commercial Sublease for 4215 N. 40th Street, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Commercial Sublease made effective as of September 1, 2018, by and between New Gen Real Estate, the "Tenant", and HWC, the "Subtenant", and pursuant to a lease agreement dated March 19, 2015, between the Tenant and SCF Properties, LLC, a California limited liability company, an arm's length party

HWC sublets to the Subtenant an approximately 28,000-square-foot space located in an industrial building located at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 for a term beginning on September 1, 2018 and unless terminated sooner pursuant to the terms of the Sublease, will continue for the remainder of the term provided in the prime lease, which terminates on April 30, 2024. Both parties agree that the terms of the lease will supersede any terms of a current or previous lease agreement between the parties. The Subtenant will make sublease payments of $60,000 plus 2.9% rental tax, if applicable, per month to the Tenant, payable in advance on the first day of each month, for a total sublease payment of $720,000. The monthly lease installments increase 5% each year beginning on January 1, 2020. The Subtenant will pay for all utilities used or consumed at the premises during the term of the agreement as currently obligated by the Tenant under the prime lease. If the Subtenant fails to cure any financial obligation within 15 days (or any other obligation within 20 days) after written notice of such default is provided by the Landlord to the Subtenant, the Landlord may take possession of the premises without further notice. The Lessor, the Tenant and the Subtenant have agreed to maintain appropriate insurance for their respective interests in the property, with the Lessor and the Tenant named as additional insured in such policies. The Subtenant also maintains liability insurance on the premises in a total aggregate sum of at least $1,000,000.

Commercial Lease for 4126 W. Indian School Road, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Lease Agreement dated as of September 1, 2018 between New Gen Real Estate, as the

“Landlord”, and HWC, as the “Tenant”

New Gen Real Estate leases to HWC a 2,100-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road for a term beginning on September 1, 2018 and ending on August 31, 2024. Both parties agreed that the terms of the lease superseded a previous lease agreement between the parties that had been in place since HWC’s inception. HWC pays to New Gen Real Estate monthly installments of $20,000 plus 2.9% rental tax, if applicable, payable in advance on the first day of each month. The monthly lease installments will increase 5% each year beginning on January 1, 2020. HWC may use the premises only for a medical marijuana retail store, and an office building in the rear will be used for management offices.

New Gen Facilities

On July 1, 2018, New Gen entered into a building lease agreement with HWC with respect to the New Gen Facilities.

The Company has a lease agreement for its leased premises, with the term of the lease ending on April 30, 2024. The annual commitment under this lease for the next five years is set forth in the table below:

	Commitment
2018	$157,316
2019	$159,912
2020	$164,176
2021	$166,308
2022	$166,308

See “Material Contracts”.

Financings

The Company received CAD$6,000 for 200,000 common shares that were issued during the year ended December 31, 2015 to the directors of the Company.

On July 6, 2016, the Company completed its private placement of an aggregate of 430,500 common shares at a price of CAD$0.03 per share for aggregate gross proceeds of CAD$12,915 and incurred CAD$1,971 in share issuance costs.

On July 11, 2017, 1,000,000 common shares were issued by the Company at CAD$0.05 per common share for aggregate gross proceeds of CAD$50,000.

On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of CAD$0.05 per share for aggregate amounts of CAD$50,000.

On December 10, 2018, the Company completed a non-brokered private placement for gross proceeds of CAD$50,000, consisting of 1,000,000 Common Shares at a price of CAD$0.05 per Common Share.

On December 17, 2018, the Company completed a non-brokered private placement for gross proceeds of CAD$125,000, consisting of 2,500,000 units at a price of CAD$0.05 per unit, with each unit consisting of one Common Share and one Common Share purchase warrant exercisable at a price of CAD$0.25 per share for a period of twelve months.

On December 24, 2018, the Company completed a non-brokered private placement of Special Warrants for gross proceeds of CAD$250,000, consisting of 1,000,000 Special Warrants at a price of CAD$0.25 per Special Warrant.

On December 27, 2018, New Gen completed a non-brokered private placement for gross proceeds of $3,551,370, consisting of 4,799,149 Class A Common Shares in the capital of New Gen at a price of $0.74 per Class A Common

Share, whereby such 4,799,149 Class A Common Shares were exchanged for the Company's Common Shares on a 1-to-1 basis pursuant to the New Gen Transaction (See Note 6 of "Prior Sales").

Principal Products and Services

Production and Sales - Cultivation

New Gen, through its wholly-owned subsidiaries, manages cultivation, processing and retail operations on behalf of one Arizona "not-for-profit" Arizona corporation, HWC, which operates a dispensary under the name Herbal Wellness Center and produces and wholesales concentrates under the "VAPEN" trade name. HWC has service agreements (see "Material Contracts") with New Gen's operating subsidiaries, which are permitted under the provisions of a license granted to HWC pursuant to the Arizona Medical Marijuana Act to cultivate and grow cannabis plants and sell cannabis and cannabis-infused products to registered patients authorized by the state to purchase and consume same. The grant of a license under the Arizona statute permits HWC to operate a full-service dispensary, a production and kitchen facility to produce cannabis-infused oils, edibles and other products derived from cannabis. While there are strict zoning regulations in respect of the location of these operations, unlike similar limitations in other states, there are no restrictions by the state as to plant count, square footage of production or volume of cannabis produced.

The major stages in the cannabis cultivation process are mothers, cloning, vegetation, flowering, curing and trimming. The entire process lasts from 100 to 130 days. However, New Gen's production are intentionally staggered such that plants are ready for harvest every week. Each plant is bar-coded and tracked in the inventory tracking system and is internally audited on a regular basis throughout the growth cycle. The plants are tracked throughout the process and are also weighed and tracked once harvested and ready for sale.

The cannabis flower is sold directly to patients through the licensed dispensary managed for HWC by New Gen. All of the trim from internal cultivation operations is used for oil extraction to produce shatter and wax to be sold through HWC and HWC's wholesale distribution network of other Arizona-based dispensaries.

The objective of expanding grow operations is to continue to develop proprietary expertise in the area of cannabis cultivation, to supply the processing facility with trim, and to provide a larger revenue stream for the licensees through the sale of both cannabis flower and VAPEN-branded extracts.

Production and Sales – Oil Extraction

Sales statistics from all legal states where marijuana is sold legally, including Arizona, point to a growing preference amongst consumers for cannabis oil products over the traditional dried cannabis flower. Cannabis oil can be vaporized and consumers can inhale the vapors. Alternatively, oil can be used to create other products such as shatter and wax, as well as used in edibles that can then be ingested. In many instances, this may provide a healthier and safer option to consumers over smoking cannabis flower.

Cannabis oil is generally extracted from dried cannabis plant material, which is mostly comprised of small leaves and stems from the cannabis plant that are trimmed from the cannabis flower. This cannabis material is commonly referred to as "trim".

The trimming process involves removing small leaves away from the flower or bud. The desirable cannabinoids that are found in marijuana plants are mostly concentrated in the mature cannabis flowers, but they are also found in the leaves and stem materials. Both the flowers and the trimmings are weighed and tracked in New Gen's Biotrack inventory tracking system. The trim is then transferred to the processing department.

By using sophisticated extraction and distillation methods, New Gen is able to produce cannabis oils such as VAPEN Clear, shatter, wax, and edibles infused with VAPEN Clear, while monitoring and controlling the flavors and potency of these products.

Currently, New Gen uses the hydrocarbon extraction method for extracting crude and cannabis oil.

Hydrocarbon Extraction

Hydrocarbon or hydro-carbon/propane extraction uses non-polar hydrocarbon as a solvent. Hydro-carbon is especially well-suited for stripping dried cannabis material its cannabinoids, terpenes, and other essential oils while leaving behind the majority of unwanted chlorophyll and plant waxes.

New Gen operates multiple hydro-carbon extractors. Both machines utilize similar preparation and processing methodologies. During extraction, the solvent washes over the plant material and is then purged off from the resulting solution using a variety of techniques and variables such as heat, vacuum and agitation.

After obtaining hydro-carbon through this extraction method, the oil will be vacuum purged in a vacuum chamber to separate the cannabis oil from any remaining hydro-carbon gas. The vacuum oven is heated to release the hydro-carbon and propane, leaving behind only the extract. This “purging” process, depending on duration of exposure to vacuum and heat, will give the hydro- carbon characteristic textures, such as wax, crumble, shatter and butter.

These post-extraction processes also determine what the final texture of the product is, whether it be wax, shatter, or a more traditional sticky cannabis oil. Routinely testing between 85-92% THC, hydro-carbon is the most popular choice for “dabbing”, when properly-made, hydro-carbon extracted cannabis oil offers a very potent, direct, and flavorful method of ingesting cannabis.

The hydro-carbon process, unlike the CO2 process, generally requires higher quality cannabis material in order to have higher quality finished product(s). New Gen currently operates multiple hydro-carbon extraction systems for the processing and production of hydro-carbon extracted cannabis oil.

Product Description

HWC’s products consist of a diversified product line including quality flower, high quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC Syrups, VAPEN Kitchens edibles and VAPEN branded merchandise.

Each of these products is produced pursuant to the services contracts with New Gen’s five operating subsidiaries.

New Gen is the owner of a trademarked brand known more particularly as “VAPEN”. The VAPEN brand is marketed by HWC to other retail dispensaries in the State of Arizona. It is the Company’s intention to license the VAPEN brand to producers in other geographic locations within the United States and in foreign markets under exclusive, controlled quality assurance standards that, pursuant to an agreement, must be met and maintained with audit verification for continuous perfection to ensure strict compliance with the terms and conditions of the license. New Gen’s business development and brand licensing targets include California, Nevada, Oklahoma, Louisiana, and Florida.

Production Processes

The Company’s production processes have been developed internally. For example, the Company maintains relationships with foreign contract manufacturers with prototype and design capabilities, and works with Clade 9 Plant Growth Systems (a team of experienced cultivators, managers, and scientists that develop and implement systems for commercial scale cannabis cultivation) as the Company’s master grower with decades of experience with the cannabis plant, to develop standardized processes for optimizing cannabis cultivation and breeding. The Company believes that its processes are competitive but there is no assurance that a competitor with access to additional capital and technical expertise could not achieve the same operating results as demonstrated historically by the Company. The Company has developed these capabilities over time and currently provides them to HWC as its sole customer.

Competitive Conditions

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal at a federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that the Company can continue to expand its cannabis-related holdings by providing tailored, state law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies, as evidenced by its Arizona operations. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. See "*Risk Factors*".

Competitor Comparison

Competitor	Description of Business	Operations Location
Cannex Capital Holdings Inc.	Delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	California; Washington, U.S.A.
iAnthus Capital Holdings, Inc.	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries.	Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.
MPX Bioceutical Corporation	Multinational diversified cannabis company focused on the medical and adult use cannabis markets. The company has a growing presence in the U.S. with imminent plans for ten dispensaries and four production facilities in four states. It also has a production facility under construction in Canada as well as a pending license application to Health Canada.	Arizona; Nevada; Massachusetts; Maryland, U.S.A.
CannaRoyalty Corp.	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A. Canada
Liberty Health Sciences Inc.	Acquire and operate U.S. – based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to our shareholders.	Florida, U.S.A.
Curaleaf Holdings, Inc.	Curaleaf's subsidiaries and managed entities are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and/or hold licenses in the adult-use and/or medicinal cannabis marketplace in the States of Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon; have a licensing application pending in the State of California; and have partnered with an accredited medical school to obtain a clinical registrant license in the Commonwealth of Pennsylvania.	Arizona, Connecticut, Florida, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York and Oregon U.S.A.
1933 Industries Inc. (formerly Friday Night Inc.)	Owns and controls cannabis and hemp-based assets in Las Vegas Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.
Golden Leaf Holdings Ltd.	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon. With a product portfolio built around recognized brands, the Company strives to provide cannabis users with superior value and experience.	Oregon, U.S.A.

Markets - Arizona

After the narrow defeat of a ballot initiative in 2016 that would have approved adult use of cannabis, Arizona remains a medical-only state. As at November 30, 2018, there were approximately 183,789 medical cards approved and registered under the Arizona Medical Marijuana Act. Out-of-state patients may also possess medical marijuana in Arizona as described below. This large and growing patient community is served by approximately 100 operating medical marijuana enterprises which are licensed to cultivate and sell cannabis products to patients. This number compares favorably to many other states where several hundred market participants are permitted. The competitive landscape in Arizona is limited by regulation. The state is divided into several Community Health Analysis Areas and the number of dispensaries is regulated to permit only one dispensary for every ten (10) licensed pharmacies within each such area. Currently that limits the number of licensed cannabis businesses in the state to 130. While 130 licenses have been issued, approximately 110 businesses are currently operating. Cannabis businesses must operate within strict guidelines imposed by the state regulations, making capital and operating costs higher than for businesses of similar size, but the limited number of participants has helped to keep selling prices and profit margins at comfortable levels.

The Company operates cultivation, processing and dispensary operations in the State of Arizona, all within the greater Phoenix area (population approximately 4.6 million). A concentration on the expansion of high-quality flower cultivation and the production, continued marketing of its award-winning VAPEN brand concentrates, and the operation of a customer service-oriented retail store environment at its dispensary will continue to produce favorable revenue growth in Arizona.

Proprietary Protection

The Company currently relies on a combination of an Arizona registered trademark ("VAPEN"), trade secrets, and proprietary knowledge to protect its intellectual property, the most significant of which is its standard operating procedures.

Employees

As of September 30, 2018, New Gen had one hundred and twenty-three (123) employees. The Company also relies on consultants and contractors to conduct its operations.

Foreign Operations

The Company, through its wholly-owned subsidiary New Gen and New Gen's operating subsidiaries, conducts its business in the State of Arizona in the United States.

Bankruptcy and Similar Procedures

The Company, including all of its direct and indirect subsidiaries, has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

Industry and Regulatory Overview

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

The Company is involved in activities that, according to Staff Notice 51-352, would categorize the Company as a U.S. Marijuana Issuer with ancillary involvement in the cultivation and distribution of cannabis in the State of Arizona. As of the date hereof, the Company has no further direct or indirect cannabis-related activity elsewhere in the United States. As a result of the Company's investments in the State of Arizona, the Company is subject to Staff Notice 51-352 and accordingly provides the following disclosure:

The Company operates in the United States as more specifically described below.

State	Companies	Type of Investment	Permitted Number of Facilities
Arizona	New Gen	100% Equity Ownership	N/A[(1)]

Notes:

(1) The Company, through its subsidiaries, holds assets including real estate leased to HWC, consisting of one facility designed for cultivation and processing totaling 28,000 square feet in Phoenix, Arizona as well as equipment and other tangible and intangible assets and all of the intellectual property. The foregoing assets are held by the Company's subsidiaries, New Gen Agricultural, New Gen Admin, and New Gen Real Estate and are classified as "ancillary" involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. The AHS regulates Arizona's marijuana regulatory program. Applicable regulation in Arizona requires licensed operators and all shareholders to be resident of Arizona and accordingly, the Company, as a publicly listed company, is unable at this time to acquire a direct license under Arizona's marijuana regulatory program.

United States Federal Overview

In the United States, twenty-nine states, Washington D.C., and Puerto Rico have legalized medical marijuana, while nine states and Washington D.C. have also legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the *Controlled Substances Act of 1970* (the "**CSA**"). Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under United States federal.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**") issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medial or recreational cannabis programs. The Cole Memorandum, while not legally binding, served as prosecutorial guidance, and laid a framework for managing the conflict between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a longtime opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated marijuana industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, A.G. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in so doing: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the production, sale, and disbursement of medical or recreational marijuana, even if state law sanctioned such production, sale, and disbursement. It remains unclear whether the risk of enforcement has actually been altered.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories: (i) marijuana limited; (ii) marijuana priority; and (iii) marijuana terminated, based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated.

On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

U.S. Enforcement Proceedings

The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Sessions.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, because the Department of Justice memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625–a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("**Leahy Amendment**"). The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be acted in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry.

Joyce Amendment

On May 17, 2018 the U.S. House of Representatives Appropriations Committee approved the inclusion of the Rohrabacher-Blumenauer Amendment (previously, the Rohrabacher Farr Amendment), which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019, known as the "Joyce Amendment".

2018 Farm Bill

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce, etc., of industrial hemp. Industrial hemp is defined as hemp which contains less than .3% THC, the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis. This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria: the hemp contains less than 0.3% THC; the producer of the hemp is licensed by the state where it was grown; and the state where it was grown has a hemp program approved by the USDA. Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained. Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of CBD. Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well. Management believes hemp legalization is positive for a number of reasons: (1) CBD source material will likely become cheaper, leading to lower cost basis in certain CBD-infused products sold by the Company; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

Compliance with Applicable State Law in the United States

Each state licensee owned by or with a business relationship with the Company complies with applicable U.S. state licensing requirements as follows: (1) each licensee is licensed pursuant to applicable U.S. state law to cultivate, possess, and/or distribute marijuana in such state; (2) renewal dates for such licenses are docketed by legal counsel and/or other advisors; (3) internal audits of the licensee's business activities are conducted by the applicable state regulator and by the respective investee to ensure compliance with applicable state law; (4) each employee is provided with an employee handbook that outlines internal standard operating procedures in connection the cultivation, possession, and distribution of marijuana to ensure that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked and using scanners to confirm each customer's legal age and the validity of each customer's drivers' license; (5) each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance; (6) software is used to track marijuana inventory from seed to sale; and (7) each licensee is contractually obligated to the Company to comply with applicable state law in the United States in connection with the cultivation, possession, and/or distribution of marijuana.

The Company's United States legal counsel reviews, from time to time, the licenses and documents referenced above in order to confirm such information and identify any deficiencies.

Each business holding a contractual relationship with the Company and/or its subsidiaries, that is a license holder holds licenses that are in good standing to cultivate, possess and/or wholesale marijuana in its respective state in the United States in compliance with its respective state marijuana regulatory program. To the knowledge of the Company, no licensee has experienced any material non-compliance that would endanger the status of any license.

The Company, and its subsidiaries, is in compliance with applicable U.S. state and local law. The Company has engaged United States legal counsel to advise the Company in connection with compliance with Arizona law on an ongoing basis. The Company will continue to work closely with U.S. counsel to develop and improve its internal compliance procedures and will defer to their legal opinions and risk mitigation guidance regarding Arizona's regulatory framework.

Cole Memorandum and Continued Review of Changes in Law

Aside from complying with applicable state law of the United States, each License Holder takes the following steps to ensure its marijuana operations are conducted in a manner consistent with the United States federal enforcement priorities articulated in the memorandum dated August 29, 2013 addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States, and having the subject line "Guidance Regarding Marijuana Enforcement" (the "**Cole Memorandum**"). Pursuant to the Cole Memorandum, such enforcement priorities are to: (1) prevent the distribution of marijuana to minors by using scanners to confirm each customer's legal age and the validity of each customer's driver's license; (2) prevent revenue from marijuana from going to criminal enterprises, gangs, and cartels by conducting background checks on each owner of an licensee, employee, and/or prospective employee and by ensuring that all marijuana inventory and proceeds from the sale of such marijuana are property accounted for and tracked; (3) prevent the diversion of marijuana from states where it is legal under state law in some form to other states by only dispensing marijuana through licensed dispensaries located in states where marijuana is legal under state law in some form and not dispensing any quantity of marijuana to a customer in excess of the legal limits under applicable state law (e.g., 2 ounces); (4) prevent state authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity by prohibiting the sale of any inventory other than marijuana inventory and accessories; (5) prevent violence and the use of firearms in the cultivation and distribution of marijuana by ensuring that each room that marijuana inventory and/or proceeds from the sale of such inventory enter is monitored by video surveillance, prohibiting employees from bringing firearms on the premises, and ensuring that safes are used to store large amounts of proceeds from the sale of marijuana inventory; (6) prevent drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use by prohibiting the consumption of marijuana on the premises, prohibiting the usage of harmful pesticides on marijuana inventory and testing marijuana inventory to confirm a lack of harmful pesticides and ideal cannabinoid levels; (7) prevent the growing of marijuana on federal lands and the attendant public safety and environmental dangers posed by unregulated marijuana production on federal lands by only cultivating, possessing, or dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess, and/or distribute marijuana on such private property; and (8) prevent marijuana possession or use on federal property by only cultivating, possessing, and dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess and/or distribute marijuana on such private property.

On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum.

The Company's United States legal counsel reviews, from time to time, each License Holder's procedures with respect to the Cole Memorandum in order to confirm if each License Holder's operations are conducted in a manner consistent with the guidelines noted Cole Memorandum. Despite the rescission of the Cole Memorandum, the U.S. Department of Justice continues to have discretion to enforce federal drug laws, which discretion remained when the Cole Memorandum was originally issued in 2013. In addition, the Company, along with its United States legal counsel and other professional advisors, regularly monitor the activities of the Trump Administration for evidence and/or indications of current or anticipated cannabis policy and guidance, and the Company governs its actions accordingly.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to equity financing from prospectus exempt (private placement) markets in Canada. Specifically: (i) From incorporation to September 30, 2018, the Company has issued 630,500 common shares in initial financing rounds for gross proceeds of $16,944; and (ii) in connection with the New Gen Transaction, the Company issued 7,395,461 Common Shares and 625,287 Class A Shares upon closing of the New Gen Transaction.

If such equity and/or debt financing was not available in the public markets in Canada due to changes in applicable law, then the Company expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis companies. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See “Risk Factors” hereto.

Financial Transactions

Certain financial institutions in Canada and the U.S. will not allow companies who generate funds from the sale of cannabis and cannabis related products to open bank accounts or process the transfer of funds from the sale of cannabis.

Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the money laundering statutes (18 U.S.C. § 1956 and 1957), the unlicensed money transmitter statute (18 U.S.C. § 1960), and the Bank Secrecy Act (the “**BSA**”). Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from marijuana-related businesses in the U.S. must do so in compliance with the FinCEN Memorandum and the 2014 Cole Memo, each dated February 14, 2014. The Cole Financial Crime Memo states that prosecutors should apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The FinCen Memo provides guidelines to banks on how to accept deposits from marijuana-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memo following the U.S. Department of Justice’s January 4, 2018 announcement rescinding the Cole Memorandum.

Currently, management expects to be able to transfer any funds owed to the Company by New Gen (or its subsidiaries) into any bank accounts held by the Company outside of the United States. However, given the regulatory uncertainty with respect to banking and cannabis in the United States, such ability to transfer may be eliminated and/or hampered at any time. In the foreseeable future, the Company expects any amounts payable by New Gen (or its subsidiaries) to the Company to be paid to New Gen or deployed in other investments in the United States. The Company expects to fund its operations through New Gen and its subsidiaries’ cash flow from operations. The Company may also consider future debt or equity financings.

State-Level Overview

The following sections present an overview of market and regulatory conditions for the marijuana industry in U.S. states in which the Company has a substantial operating presence and is presented as of July 2018, unless otherwise indicated. Although the Company’s activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

Arizona State

In 1996, Arizona passed Proposition 200, allowing doctors to prescribe medical marijuana (specifically, controlled substances) to treat diseases or relieve pain in seriously/terminally ill patients. In order for a patient to use medical marijuana, a doctor had to provide scientific evidence to prove marijuana’s usefulness along with a second doctor’s opinion to the ADHS. This caused conflict between supporters and opponents of medical marijuana, and started a lengthy battle over the law’s lack of specificity in addition to the language “prescribe.” For a doctor to prescribe medicine, the substance must first undergo U.S. Food and Drug Administration (the “FDA”) trials and doctors must specify the exact dosage and consumption methods to be used. Unfortunately, this rendered Prop 200 illegal on a federal scope and a medical marijuana program never materialized. It did, however, protect first-time drug offenders from prison sentences, which was a step towards decriminalization.

Arizona tried once more to legalize medical marijuana in 2002 with Proposition 203, but the initiative failed, receiving 42.7% of the vote. A viable solution was not presented and approved until nearly a decade later.

In 2010, Arizonans voted to approve a much-revised version of Proposition 203, an initiative to legalize the medicinal use of marijuana. Proposition 203 authorized doctors to recommend cannabis as a therapeutic option, as opposed to prescribing a specific dosage of cannabis with strict consumption or application methods. This law also tasked ADHS to regulate the “Arizona Medical Marijuana Act.”

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by law officials and dispensaries to verify a patient's status as such. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase cannabis).

On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale.

In 2012, Arizona legislators amended the Arizona Medical Marijuana Act to include college and university campuses in their non-consumption list, even if the cardholder was over 21 years old. However, in April 2017, this ruling was overturned by the Arizona Court of Appeals, and though colleges can privately prohibit medical marijuana on campus, lawmakers cannot make campus cannabis use illegal.

The people of Arizona took advantage of the ADHS's qualifying condition appeal process in 2013 when they petitioned to include PTSD, migraines, and depression among the list of qualifying medical conditions. Following due process, the Director of the ADHS denied the petition.

While it seemed like the Arizona population was becoming more tolerant of cannabis, it proved too soon to jump to recreational legalization. In 2016, Arizonans narrowly voted no on Prop 205 by a margin of 48:52, which would have legalized the adult use of marijuana. Ballotpedia attributes this loss to heavy early campaigning by opponents of recreational marijuana years before the election process. Opponents such as Insys, the creators of Fentanyl, lobbied heavily against recreational cannabis — their CBD medicine passed the first phases of FDA trials earlier in 2016. This loss resulted in a significant surge in new medical marijuana patients, many of whom were waiting to get their card only if the recreational law failed to pass.

Despite various lawmakers' attempts to place limitations on Arizona's medical marijuana law, the program is growing larger each year.

The Arizona Medical Marijuana Act empowers Arizona doctors to recommend medical marijuana as a viable treatment option for Arizona patients diagnosed with at least one qualifying medical condition. With this recommendation, a patient may apply for an Arizona Medical Marijuana Card, a card that allows patients to possess, purchase, and use medical marijuana.

Arizona marijuana patients or caregivers may possess up to 2.5 ounces of marijuana at any given time, and obtain 2.5 ounces in a 14-day period from an Arizona medical marijuana dispensary. Patients can also be authorized to grow up to 12 marijuana plants for their own use, or otherwise, find a caregiver to grow cannabis for them if they reside more than 25 miles from the nearest medical marijuana dispensary.

The patient must have one of the below qualifying medical conditions, and their physician must determine that the patient indeed has a qualifying condition. The written certification would state the doctor believes, in their professional opinion, the patient would likely receive therapeutic benefit from medical marijuana use.

- ALS
- Alzheimer's disease
- Cancer
- Crohn's disease
- Glaucoma
- HIV/Aids
- Hepatitis C
- Cachexia/Wasting Syndrome
- Muscle spasms
- Nausea
- Seizures
- Severe and chronic pain

Once a patient has received their written certification from an Arizona doctor, they may apply to the ADHS for a registry identification card, a card that grants patients and caregivers the authority to possess, purchase, and use medical marijuana legally.

To apply for a registry identification card, patients must submit their written certification, the application fee, their personal information, and a statement declaring they won't use their medical marijuana for nefarious purposes (i.e. sell it to kids). If a minor wants to be a medical marijuana patient, there are stricter rules to follow before they can qualify for their card.

Some patients in critical need of cannabis are unable to travel easily to purchase or even consume cannabis without some assistance. Arizona included regulations to cover the people who would take care of these patients, such as a child or an elderly parent, known as caregivers, allowing them to assist patients (up to five) in the medical use of marijuana.

Caregivers must educate themselves on the different aspects of marijuana, like different strains, consumption methods, and their patients' specific health needs. Arizona caregivers must follow all the same regulations as patients, including registering with the ADHS and carrying an ID card.

As federal law still classifies marijuana as a Schedule 1 drug (without medicinal value), Prop 203 and other medical cannabis laws were designed to protect citizens' rights. Arizona medical marijuana patients are supposed to be treated like every other resident. The American Medical Marijuana Act's regulations protect the rights of patients and caregivers in certain circumstances:

- A school or landlord may not refuse to enroll/lease to a qualifying patient unless failing to do so would incur ramifications under federal law.
- Medical facilities cannot deny treatment to patients based on their status as a medical marijuana user.
- Parental rights cannot be denied based on a parent's status as an Arizona medical marijuana patient.

While these protections are essential, they do not provide for every eventuality. Employers may not discriminate against employees who are medical marijuana patients, and may not penalize them for a positive drug test. However, employees cannot use or possess marijuana during the hours of work. Employers may lawfully discipline and even terminate any employee who tests positive for marijuana if they used or possessed during work hours, even if the employee is a registered patient.

Despite nearly twenty (20) years of progress toward decriminalization and regulation, Arizona is still one of the toughest states in the nation when it comes to marijuana. Even minor possession is a felony for those who aren't medical marijuana patients, with a maximum sentence of 3.75 years and a $150,000 fine.

Doctors are the gatekeepers to medical marijuana. In all medically legal states, doctors must fully evaluate their patients and determine whether cannabis is a fit for their medical needs and whether they have a qualifying condition. This places considerable responsibility on doctors' shoulders, which most Arizona doctors bear with professionalism and true concern for their patients. The physician must be a doctor of medicine, a doctor of osteopathic medicine, a naturopathic physician, or a homeopathic physician who holds a valid license to practice in Arizona.

Physicians meet patients, either in person or via telemedicine services, to determine if the patient has a qualifying condition before signing a written certification stating that, in their professional opinion, the patient has a qualifying condition and would likely receive therapeutic benefits from medical marijuana use.

Arizona allows non-Arizona medical marijuana patients the same rights and protections as Arizona citizens. The law states a Registry Identification Card, or its equivalent, issued by another state is valid in Arizona, except in that a visiting qualifying patient may not obtain marijuana from an Arizona marijuana dispensary. Instead of acquiring medical marijuana from a dispensary, a visiting qualifying patient can obtain medical marijuana from another registered Arizona patient or designated caregiver can offer and provide medical marijuana so long as nothing of value is given in return, and the recipient does not end up possessing more than 2.5 oz. of marijuana.

All Arizona marijuana dispensaries are required to be non-profit organizations. Dispensaries may charge for medical marijuana as part of the expenses incurred during business operations. Patients can purchase up to 2.5 ounces of marijuana every two weeks, either as flower or an equivalent amount in concentrate, edibles, or other cannabis product forms.

Market

The international cannabis industry continues to go through a period of strong growth as deregulation and increased consumer interest are poised to drive the market past US$30 billion by 2021[1].

The Company believes the full potential of domestic and international cannabis markets is not yet realized. The decriminalization of cannabis for both medical treatment and recreational applications is a well adopted global trend therefore the Company is corporately structured to provide a comprehensive range of flexible options for licensed cannabis cultivators, processors and dispensaries, both domestically and internationally.

The emerging United States legal cannabis industry is booming, taking in approximately US$9 billion in sales in 2017. Eight states and the District of Columbia now allow for recreational cannabis use and 30 allow for medical use. Over the past five years, legalization has spread across the United States. There is an industry consensus that national cannabis sales will continue to rise to US$11 billion by the end of 2018[2].

In Arizona, the state permits the use of cannabis to treat or alleviate symptoms of over 20 medical conditions, including chronic pain. Over 141,000 patients have been approved by the State to use cannabis as a form of treatment and that number has been steadily increasing. The Arizona market size for medical cannabis in 2016 was US$367 million represented by the sale of 26.6 million grams and predicted to grow to $681 million by 2020[3].

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1. Zhang, M. (2017, November 07). The Global Marijuana Market Will Soon Hit $31.4 Billion But Investors Should Be Cautious. https://www.forbes.com/sites/monazhang/2017/11/07/global-marijuana-market-31-billion-investors-cautious/#1370a8c97297.
2. Smith, Aaron. (2018, January 31). The U.S. legal marijuana industry is booming. Retrieved from http://money.cnn.com/2018/01/31/news/marijuana-state-of-the-union/index.html.
3. Arcview Market Research, Arizona Legal Cannabis Market State Profile, December 2016.

Future Developments

The Company will continue to evaluate changing cannabis regulations and landscape within the United States and internationally to expand operations in opportune locations. The Company will also evaluate new technologies which may be utilized in the Company's facilities in the future. The Company may directly develop new technology and consumer products itself.

USE OF AVAILABLE FUNDS

Since no securities are being sold pursuant to this Prospectus, no proceeds will be raised.

Funds Available

This is a non-offering Prospectus. The Company is not raising any funds in conjunction with this Prospectus and, accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus.

There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained, or at all. See "*Risk Factors*".

As of December 31, 2018, the most recent month end prior to the date of the Prospectus, the Company has consolidated working capital of $15,005,306. Based upon Management's current intentions, the estimated expenditures for which the total available funds will be used in the 12 months after the date hereof are as follows:

Item	$
Funds Available	
Working capital of the Company as at December 31, 2018	14,820,121
Net proceeds from the Offering	185,185
Total Available Funds	**15,005,306**
Principal Purposes for the Available Funds	
Add Phase IV physical plant for cultivation(1)	1,500,000
Expansion of management services contracts to independent third parties that are licensed cannabis holders throughout the United States(1)	500,000
Unallocated operating working capital	13,005,306
Total	**15,005,306**

Notes:
(1) See "*Business Objective and Milestones*" below.

The total working capital available to the Company, on a consolidation basis, as at December 31, 2018 amounts to $15,005,306 and will be allocated towards building the Phase IV physical plant for cultivation ($1,500,000), expanding the management services contracts to licensed cannabis holders throughout the United States ($500,000), and unallocated working capital ($13,005,306).

The Company intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

The Company expects to cover its expenses and working capital requirements for the next twelve months from revenue derived from operations and does not anticipate undertaking any debt or equity financings in the near term.

Business Objectives and Milestones

The primary business objectives for the Company over the next 12 months are:

Business Objectives	Timeline	Expected Cost
Add Phase IV physical plant for cultivation	December 2018 to December 2019	$1,500,000
Expansion of management services contracts to independent third parties that are cannabis license holders throughout the United States	December 2018 to December 2019	$500,000

Specific Milestones

With respect to New Gen's primary business objectives over the next 12 months, New Gen has identified the following specific milestones:

a) To increase current cultivation capacity through completion of a Phase IV expansion estimated at approximately 9,000 square feet of additional space in a separate facility to be leased in order to add more cultivation rooms.

b) To enter into services agreements with licensed cannabis producers, wherein New Gen will operate the location using its standard operating procedures, improve operational performance, increase revenues and profitability of the operation, and share in the gross revenues from the customer. New Gen intends to target contracts in Nevada, California, Oklahoma, Florida, and Louisiana over the following twelve months. New Gen may operate the cultivation, extraction, and/or dispensary operations in consideration of a service fee. Depending on the terms of the service agreement, the product to be sold by the customer may bear the VAPEN brand. New Gen may be required to invest in equipment necessary to advance the expansion. The result is that New Gen will expand its geographic footprint using its existing infrastructure, thereby dispensing with the need to invest significant funds in building a physical plant or acquiring licenses that would be typically required to operate. The capital necessary to accomplish this objective will be minimal. and related only to the cost of marketing the service to potential customers. New Gen has allocated approximately $500,000 for this purpose in its capital resource requirements.

DIVIDENDS OR DISTRIBUTIONS

The Company has not declared dividends on any of their shares in the past and do not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information for the Company and New Gen, summarized from the Company Financial Statements, the New Gen Financial Statements and the Pro-forma Financial Statements, attached as Schedule "A", Schedule "C" and Schedule "E", respectively, hereto.

	New Gen for the Period Ended September 30, 2018 (audited) ($)	Company for the Period Ended September 30, 2018 (audited) (CAD$)	Pro-Forma Consolidated Financial September 30, 2018 (unaudited)($)
Revenue	13,855,380	-	13,855,380
Total Expenses	(10,449,921)	(1,750)	10,933,692
Net Income (Loss)	3,405,459	(1,750)	2,921,688
Current Assets	14,420,103	6,482	16,387,751
Total Assets	20,729,855	6,482	22,697,503
Total Liabilities	6,763,183	233	6,763,416
Total Liabilities and Shareholders' Equity	20,729,855	6,482	15,934,087

MANAGEMENT'S DISCUSSION AND ANALYSIS

Attached to this Prospectus at Schedule "B" is the Company MD&A. The Company's MD&A provides an analysis of the Company's financial results for: (i) the years ended December 31, 2017 and December 31, 2016; and (ii) the nine months ended September 30, 2018, which should be read in conjunction with the audited financial statements of the Company for the corresponding period, and the notes thereto respectively.

Attached to this Prospectus at Schedule "D" is New Gen's MD&A. New Gen's MD&A provides an analysis of New Gen's financial results for: (i) the years ended December 31, 2017 and December 31, 2016, and (ii) the nine months ended September 30, 2018, which should be read in conjunction with the financial statements of New Gen for the corresponding period, and the notes thereto respectively.

Certain information included in the Company's MD&A and New Gen's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward-Looking Statements*" for further details.

DESCRIPTION OF THE SECURITIES

The authorized capital of the Company includes an unlimited number of Common Shares and an unlimited number of Class A Shares with multiple voting rights.

The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the Company Shareholders and each Common Share confers the right to one vote in person or by proxy at all meetings of the Company's shareholders. The holders of the Common Shares are entitled to receive such dividends in any financial year as the Company's board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Common Shares are entitled to share rateably, together with holders of Class A Shares, in such assets of the Company as are available for distribution.

The rights and restrictions of the Class A Shares are set forth below:

The Class A Shares rank *pari passu* with the Common Shares as to dividends and upon liquidation.

The holders of Class A Shares (the "**Class A Shareholders**") are entitled to receive dividends and distributions payable in respect of Common Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Class A Shareholders and the holders of Common Shares based on (i) the number of Common Shares and (ii) the number of Class A Shares (on an as converted basis, assuming conversion of all Class A Shares into Common Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date. The "**Conversion Ratio**" for each Class A Share shall be as follows: each Class A Share shall be convertible into 100 Common Shares

In the event of any Liquidation Event (as defined below), the Class A Shareholders shall be entitled to receive the assets of the Company, or other consideration payable or distributable as a result of the Liquidation Event, available for distribution to shareholders, distributed among the Class A Shareholders and the holders of Common Shares based on (i) the number of Common Shares and (ii) the number of Class A Shares (on an as converted basis, assuming conversion of all Class A Shares into Common Shares at the applicable Conversion Ratio and disregarding the Conversion Limitations as defined herein) issued and outstanding on the record date.

"**Liquidation Event**" shall mean (i) any voluntary or involuntary liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by or the combination, merger or consolidation of the Company with another entity by means of any transaction or series of related transactions (including, without limitation, any sale, acquisition, reorganization, merger or consolidation but excluding any transaction effected exclusively for the purpose of changing the domicile of the Company; (iii) a sale of all or substantially all of the assets of the Company; unless, in the case of (ii) or (iii), the Company's shareholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Company's acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

The Class A Shareholders shall have the right to one vote for each Common Share into which such Class A Shares are convertible (disregarding the Conversion Limitations defined herein), and with respect to such vote, such holder shall have voting rights and powers equal and identical to the voting rights and powers of the holders of Common Shares, and shall been titled, notwithstanding any provision hereof, to notice of any shareholders' meeting and shall be entitled to vote, together with holders of Common Shares, with respect to any matter upon which holders of Common Shares have the right to vote. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all Common Shares into which Class A Shares are convertible and disregarding the Conversion Limitations defined herein) shall be rounded up or down to the nearest whole number (with one-half being rounded upward). Except as provided by law, Class A Shareholders shall vote the Class A Shares together with the holders of Common Shares as a single class.

Class A Shareholders shall have conversion rights as follows (the "**Conversion Rights**"):

(a) **Right to Convert**. Subject to the Conversion Limitations defined herein, each Class A Share shall be convertible, at the option of the Class A Shareholder thereof, at any time after the date of issuance of such share at the office of the Company or any transfer agent for such shares, into such number of fully paid and non-assessable Common Shares as is determined by multiplying the number of Class A Shares by the Conversion Ratio applicable to each such share, determined as hereafter provided, in effect on the applicable date the Class A Shares are surrendered for conversion.

(b) **Automatic Conversion**. Each Class A Share shall automatically be converted without further action by the Class A Shareholder or any other person into Common Shares at the applicable Conversion Ratio immediately upon the earliest of:

- (i) the Common Shares issuable upon conversion of all the Class A Shares are registered for resale and may be sold by the Class A Shareholder pursuant to an effective registration statement and/or prospectus covering the Common Shares under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**");
- (ii) the Company files a Securities Exchange Commission Form 20-F to register its Common Shares with the United States Securities and Exchange Commission;
- (iii) the Company is subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934;
- (iv) the Common Shares are listed or quoted (and are not suspended from trading) on a national securities exchange in the United States registered under Section 6 of the U.S. Securities Exchange Act of 1934, as amended, or quoted in a "U.S. automated inter-dealer quotation system", as such term is used for purposes of Rule 144A(d)(3)(i); or

(v) if the Company determines that it has ceased to be a Foreign Private Issuer, as such term is defined in Rule 902(e) of the U.S. Securities Act, and has notified the holders of the Class A Shares of such determination.

Conversion Limitations.

Before any Class A Shareholder can be entitled to convert Class A Shares into Common Shares, the Board of Directors (or a committee thereof) shall designate an officer of the Company to determine if any Conversion Limitation set forth shall apply to the conversion of Class A Shares. A "**Conversion Limitation**" means the Foreign Private Issuer Protection Limitation. The Company will use commercially reasonable efforts to maintain its status as a "foreign private issuer" ("**Foreign Private Issuer**", as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended) and to avoid being categorized as a "**Domestic Issuer**" under applicable United States securities laws (being a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.) or would become a Domestic Issuer as a result of the issuance of Common Shares upon the conversion of a Class A Share.

As of the date of this Prospectus, there are 11,525,961 Common Shares and 625,287 Class A Shares issued and outstanding.

Capitalization

Other than as indicated below, there have been no material changes in the share capitalization or in the indebtedness of the Company since incorporation on December 11, 2015.

On December 17, 2018, the Company amended its articles and created the Class A Shares.

The following chart sets out the capitalization of the Company as at September 30, 2018 and the date of this Prospectus:

Description of the Security	**Amount Authorized**	**Amount Outstanding as of September 30, 2018**	**Amount Outstanding as of the date of this Prospectus**
Common Shares	Unlimited	630,500	12,525,961(1)
Class A Shares	Unlimited	Nil	625,287
Warrants	N/A	N/A	3,000,000(2)
Finder's Warrants	N/A	N/A	2,000,000(3)
Options(4)	Up to 10% of the issued and outstanding Common Shares	N/A	909,000

Notes:
(1) This assumes: (a) the exercise or deemed exercise of all 1,000,000 Special Warrants; and (b) that no Underlying Warrants have been exercised for Warrant Shares.
(2) 2,500,000 issued and outstanding Common Share purchase warrants are exercisable at CAD$0.25 per share for a period of 12 months from the date of issuance. In addition, 500,000 Underlying Warrants are exercisable at CAD$0.25 per share for a period of 12 months from the closing date of the Offering assuming (a) the exercise or deemed exercise of all 1,000,000 Special Warrants; and (b) that no Underlying Warrants have been exercised for Warrant Shares.
(3) 2,000,000 issued and outstanding Common Share purchase warrants are exercisable at CAD$1.00 per share for a period of 12 months from the closing of the New Gen Transaction pursuant to the terms and conditions of the Finder's Fee Agreement.
(4) Issued to certain employees, consultants and management of the Company.

OPTION TO PURCHASE COMMON SHARES

On January 4, 2019, the Board of Directors adopted a 10% rolling stock option plan (the "**Stock Option Plan**") under which Options may be granted to the Company's directors, officers, employees and consultants. See *"Executive Compensation."*

The following is a summary of the material terms of the Stock Option Plan:

(i) the maximum number of Options which may be granted to any one holder under the Stock Option Plan within any 12-month period shall be 10% of the number of issued and outstanding Common Shares (unless the Company has obtained disinterested shareholder approval if required by applicable laws);

(ii) if required by applicable laws, disinterested shareholder approval is required to the grant to related persons, within a 12-month period, of a number of Options which, when added to the number of outstanding Options granted to related persons within the previous 12 months, exceed 10% of the issued Common Shares;

(iii) the expiry date of an Option shall be no later than the tenth anniversary of the grant date of such Option;

(iv) the maximum number of Options which may be granted to any one consultant within any 12- month period must not exceed 5% of the number of issued and outstanding Common Shares;

(v) the exercise price of any Option issued under the Stock Option Plan shall not be less than the Market Value (as defined in the Stock Option Plan) of the Common Shares as of the grant date; and

(vi) the Board, or any committee to whom the Board delegates, may determine the vesting schedule for any Option.

The following table summarizes the allocation of the Options granted by the Company up to the date of this Prospectus:

Optionee	Number of Options	Exercise Price	Expiry Date
Executive Officers as a group (1)	150,000	CAD$1.00	January 4, 2029
Directors as a group (2)	50,000	CAD$1.00	January 4, 2029

Consultants as a group[3]	350,000	CAD$1.00	January 4, 2029
Employees as a group	359,000	CAD$1.00	January 4, 2029
Total:	**909,000**		

Notes:
(1) This information applies to two executive officers of the Company, both of which are also directors of the Company.
(2) This information applies to a director of the Company. Directors who are also executive officers are excluded from this figure.
(3) Options were granted to consultants of the Company in connection with certain services provided to the Company, including, but not limited to, cannabis compliance advisory services.

PRIOR SALES

Since incorporation, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Security Type	Number of Securities	Issue/Exercise Price (CAD$)
December 11, 2015	Common Shares	200,000 [1]	$0.03
July 6, 2016	Common Shares	430,500 [2]	$0.03
July 11, 2017	Common Shares	1,000,000 [3]	$0.05
April 19, 2018	Common Shares	(1,000,000)[3]	$0.05
December 10, 2018	Common Shares	1,000,000	$0.05
December 17, 2018	Units	2,500,000 [4]	$0.05
December 24, 2018	Special Warrants	1,000,000 [5]	$0.25
December 31, 2018	Common Shares	7,395,461[6]	$1.00
December 31, 2018	Class A Shares	625,287[7]	$1.00
January 4, 2019	Options	909,000[8]	$1.00

Notes:

(1) Issued pursuant to a non-brokered private placement of Common Shares.
(2) Issued pursuant to a non-brokered private placement of Common Shares.
(3) Issued pursuant to a non-brokered private placement of Common Shares. On April 19, 2018, the Company repurchased 1,000,000 Common Shares at a price of CAD$0.05 per share for an aggregate amount of CAD$50,000.
(4) Issued pursuant to a non-brokered private placement of units, with each unit comprised of one Common Share and one Common Share purchase warrant to purchase one additional Common Share at an exercise price of CAD$0.25 per share for a period of twelve months from the date of issuance.
(5) The Company issued an aggregate of 1,000,000 Special Warrants in connection with the Offering. See "Plan of Distribution".
(6) Issued upon completion of the New Gen Transaction to prior shareholders of New Gen pursuant to the Share Exchange Agreement. Such shareholders of New Gen include those shareholders who subscribed for 4,799,149 New Gen Shares from New Gen on December 27, 2018. See "Financings".
(7) Issued upon completion of the New Gen Transaction to prior shareholders of New Gen pursuant to the Share Exchange Agreement.
(8) Issued to certain directors, management, and consultants. Vesting for the directors occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the CEO occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the President and CFO occurs 50% at grant then 25% at the year 1 anniversary and 25% at the year 2 anniversary. Vesting for the consultants and the employees occurs over 3 years starting at the 1 year anniversary.

DESCRIPTION OF SECURITIES BEING QUALIFIED FOR DISTRIBUTION

The Company is authorized to issue an unlimited number of Common Shares and Class A Shares, of which as at the date hereof, 11,525,961 Common Shares and 625,287 Class A Shares were issued and outstanding.

This Prospectus is being filed for the purpose of qualifying the distribution of 1,000,000 Unit Shares and up to 500,000 Underlying Warrants, issuable upon the exercise or deemed exercise of the Special Warrants.

Common Shares

The Unit Shares issuable upon the exercise or deemed exercise of the Special Warrants will have the same rights as the Common Shares.

See "Description of the Securities" for a description of the rights of holders of Common Shares.

Underlying Warrants

Each Underlying Warrant will entitle the holder thereof to purchase one Underlying Share at a price of CAD$0.25, subject to adjustment in certain circumstances, at any time prior to December 24, 2019.

In the event of certain alterations of the outstanding Common Shares, including any subdivision, consolidation or reclassification, an adjustment shall be made to the terms of the Underlying Warrants such that the holders shall, upon exercise of the Underlying Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Underlying Warrants prior to the occurrence of those events. No fractional Underlying Shares will be issued upon the exercise of the Underlying Warrants. The holding of Underlying Warrants does not make the holder thereof a shareholder of the Company or entitle the holder to any right or interest granted to shareholders.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of the Company as of the date hereof, the following are the only persons that beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Company:

Name	Number of Shares Owned, Controlled or Directed	% of Outstanding Shares
EFG Consultants, LLC[1]	1,425,300 Common Shares	12.37%[2]
EFG Consultants, LLC[1]	605,747 Class A Shares	96.88%[3]

Notes:
(1) EFG Consultants, LLC is a company wholly owned and controlled by Jason T. Nguyen.
(2) Percentage is based on 11,525,961 Common Shares issued and outstanding as of the date hereof.
(3) Percentage is based on 625,287 Class A Shares issued and outstanding as of the date hereof.

ESCROWED SECURITIES

As at the date of this Prospectus, the securities expected to be subject to escrow upon completion of the listing of the Common Shares on the CSE are shown in the following table:

Designation of Class	Total number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class[4]
Common Shares[1]	1,838,868	15.95%
Class A Shares[2]	625,287	100%
Options[3]	200,000	16.5%

Notes:
(1) Common Shares held in Escrow and released over a 36-month period pursuant to an escrow agreement dated ◆, 2019 (the "**Escrow Agreement**") between Directors, executive officers and certain shareholders of the Company. The release of the Common Shares under the Escrow Agreement are as follows: 10% on date of listing on the CSE and thereafter 15% released every six months over a 36-month period.
(2) Including 605,747 Class A Shares held by EFG Consultants, LLC, a company wholly owned and controlled Jason T. Nguyen, and 19,540 Class A Shares held by Robert J. Brilon.
(3) Including 100,000 Options held by Jason T. Nguyen, 50,000 Options held by Robert J. Brilon, and 50,000 Options held by Jonathan Shelton.
(4) Percentage is based on 11,525,961 Common Shares issued and outstanding, 625,287 Class A Shares issued and outstanding, and 909,000 Options issued and outstanding as of the date hereof.

Directors and executive officers and certain shareholders of the Company (the "**Escrow Shareholders**") have agreed to enter into the Escrow Agreement with the Company pursuant to which the Escrow Shareholders have agreed to deposit the securities of the Company which they hold with TSX Trust Company until they are released in accordance with terms of the Escrow Agreement, CSE Policy, and applicable securities law as follows:

Release Date	Amount of Securities to be Released
On the date the Company's securities are listed on a Canadian Exchange	10% of escrow securities

6 months after the listing date	15% of escrow securities
12 months after the listing date	15% of escrow securities
18 months after the listing date	15% of escrow securities
24 months after the listing date	15% of escrow securities
30 months after the listing date	15% of escrow securities
36 months after the listing date	15% of escrow securities

TRADING PRICE AND VOLUME

The Common Shares were not previously traded on any market or exchange.

DIRECTORS AND EXECUTIVE OFFICERS

The names, municipalities of residence, number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, and the offices held by each in the Company and the principal occupation of the directors and senior officers of the Company during the past five years are as follows:

Name and Municipality of Residence(1)	Position Held(2)	Principal Occupation for Last Five Years(3)	Number of Common Shares of the Company Held Directly or Indirectly as of January 10, 2019 (% of class)(4)	
			Common Shares	**(% of class)**
Jason T. Nguyen Arizona, United States	Chief Executive Officer, Chairman of the Board, and Director since December 2018	Founder and CEO of New Gen and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens and VAPEN CBD)	1,425,300	12.37%
Robert J. Brilon Arizona, United States	President, Chief Financial Officer, Corporate Secretary, and Director, since December 2018	President, CFO, and Corporate Secretary of New Gen and President and CFO of Iveda Solutions since November 2012, CPA	46,000	0.40%
Dr. Jonathan Shelton(5) Arizona, United States	Director, since December 2018	Founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation	67,568	0.59%
David Eaton(5) British Columbia, Canada	Director since February 2017	Since 2007, Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada Ltd. provides merchant banking services in the areas of financing, transaction planning, corporate transactions, public listings and ongoing public company management.		

300,000	2.60%

Notes:

(1) Information as to municipality of residence, principal occupation, securities beneficially owned or over which a director or officer exercises control or direction has been furnished by the respective individuals as of the date of this Prospectus.

(2) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.

(3) See "Management and Key Personnel" for additional information regarding the principal occupations of the Company's directors and officers.

(4) Based on 11,525,961 issued and outstanding Common Shares as of the date of this Prospectus.

(5) The members of the Company's Audit Committee are David Eaton (chair), Dr. Jonathan Shelton, and Jason T. Nguyen.

The Company's directors and officers as a group, beneficially own, directly and indirectly, or exercise control or direction over, 1,838,868 Common Shares, representing 15.95% of the issued and outstanding Common Shares as of the date of this Prospectus.

Biographies of Directors and Officers

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Jason T. Nguyen (Age 38) –Chief Executive Officer, Chairman and Director

Mr. Nguyen is the founder and CEO of New Gen Inc. and the VAPEN brands (VAPEN Clear, VAPEN Extracts, VAPEN Kitchens, and VAPEN CBD). Recognizing the advancement of medical marijuana in Arizona and the need for a reliable medical marijuana facility and products, in early 2012, Mr. Nguyen formed a working relationship with Herbal Wellness Center. In 2013, Mr. Nguyen developed the VAPEN brand to provide various products for individuals to consume cannabis through other methods of delivery so that they can choose the best method for them, specific to their needs.

Mr. Nguyen is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 100% of his time to the business of the Company to effectively fulfill his duties as the Chief Executive Officer, Director, and Chairman of the Board of Directors of both the Company and New Gen.

Robert J. Brilon (Age 58) – President, Chief Financial Officer, and Director

Mr. Brilon has over thirty years of executive management experience as the CEO and Chairman of a NASDAQ-listed company and in various CFO, COO, operations, and investor relations roles. Mr. Brilon is a certified CPA with audit and tax experience. Mr. Brilon was the President and CFO of Iveda Solutions, Inc., a company with shares quoted on the OTC market, from December 2013 until Mr. Brilon joined New Gen in July 2017 as the CFO (subsequently becoming President and CFO of New Gen in July 2018).

Mr. Brilon is an employee of the Company and has entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote approximately 100% of his time to the business of the Company to effectively fulfill his duties as the President, Chief Financial Officer, Corporate Secretary, and Director of both the Company and New Gen.

Dr. Jonathan Shelton (Age 36) – Director

Dr. Shelton is the founder of Brain Fit, LLC, a private practice specializing in psychological assessment and evaluation. He completed a bachelor's degree in psychology at Howard University in Washington, D.C., followed by a master's degree and a doctoral degree in clinical psychology from the Arizona School of Professional Psychology. He has been independently licensed in the State of Arizona for over five years and he currently completes Compensation and Pension Examinations for veterans, Consultative Examinations for the Arizona Department of Disability Determination, and psychological evaluations for the Arizona Department of Child Safety.

Dr. Shelton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

David Eaton (Age 56), - Director

David Eaton has been involved the capital markets since 1981, starting as a floor trader at the Vancouver Stock Exchange. Throughout his career he has been active in all aspects of the corporate finance industry, consulting to both public and private companies in the areas of investor relations, arranging financings and corporate transactions. Since 2007 he has been Chairman at Baron Global Financial Canada Ltd., a subsidiary of the Hong Kong Stock Exchange Member Firm VBG International Holdings Limited. Baron Global Financial Canada Ltd. provides advisory services in the areas of financing, structuring, transaction planning, corporate transactions, public listings planning, ongoing financial reporting, and public company management.

Mr. Eaton is not an employee or consultant of the Company and has not entered into a non-competition or confidentiality agreement with the Company. It is expected that he will devote 20% of his time to the business of the Company to effectively fulfill his duties as an independent director of the Company.

Corporate Cease Trade Orders and Bankruptcies

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company or a securityholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company, within 10 years of the date of this Prospectus, has been a director, officer or promoter of any person or company that, while that person was acting in that capacity,

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision with respect to the Company.

Personal Bankruptcies

To the Company's knowledge, no existing or proposed director, officer or promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, or a personal holding company of such persons has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to holder the assets of the director, officer or promoter.

Conflicts of Interest

Members of management are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of the Company. Although the officers and directors are engaged in other business activities, the Company anticipates they will devote an important amount of time to our affairs.

The Company's officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to the Company's. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, the Company does not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

The Company's directors and officers are subject to fiduciary obligations to act in the best interest of the Company. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or other applicable corporate legislation.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Company's executive compensation objectives and processes and to discuss compensation decisions relating to its named executive officers ("**Named Executive Officers**" or "**NEOs**") listed in the Summary Compensation Table set out below. In accordance with applicable securities legislation, the Company currently has two Named Executive Officers; being Jason T. Nguyen, CEO, Chairman of the Board, and a director, and Robert J. Brilon, President, CFO, Corporate Secretary, and a director.

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Company. In determining executive compensation, the Board considers the Company's financial circumstances at the time decisions are made regarding executive compensation, and also the anticipated financial situation of the Company in the mid and long-term.

Compensation Objectives and Principles

The compensation program for the senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attracting and retaining qualified executives;

(b) motivating the short and long-term performance of these executives; and

(c) better aligning their interests with those of the Company's shareholders.

In compensating its senior management, the Company has employed a combination of base salary, bonus compensation and equity participation through its stock option plan. The Company does not provide any retirement benefits for its directors or officers.

Elements of Compensation

Base Salary

In the Board's view, paying base salaries which are reasonable in relation to the level of service expected while remaining competitive in the markets in which the Company operates is a first step to attracting and retaining qualified and effective executives. Competitive salary information on comparable companies within the Company's industry is compiled from a variety of sources, including national and international publications.

Bonus Incentive Compensation

The Board will consider executive bonus compensation dependent upon the Company meeting its strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses.

Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company's Stock Option Plan (as described below). Options may be granted to executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. The amounts and terms of options granted are determined by the Board.

Compensation Risks

The Board is keenly aware of the fact that compensation practices can have unintended risk consequences. The Board will continually review the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time the Board is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

Hedging Policy

The Company has no policy on whether an NEO or director is permitted to purchase certain financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds which are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Compensation Process

The Company does not have a compensation committee or a formal compensation policy. The Company relies solely on the directors to determine the compensation of the Named Executive Officers. In determining compensation, the directors consider industry standards and the Company's financial situation, but the Company does not have any formal objectives or criteria. The performance of each executive officer is informally monitored by the directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer.

In establishing compensation for executive officers, the Board as a whole seeks to accomplish the following goals:

- To recruit and subsequently retain highly qualified executive officers by competitive offering overall compensation;

- To motivate executives to achieve important corporate and personal performance objectives and reward them when such objectives are met; and

- To align the interests of executive officers with the long-term interests of shareholders through participation in the Company's Stock Option Plan.

When considering the appropriate executive compensation to be paid to our officers, the Board have regard to a number of factors including: (i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and the Company's shareholders; (iv) rewarding performance, both on an individual basis and with respect to operations generally; and (v) available financial resources.

Option-Based Awards

Long-term incentives in the form of Options are intended to align the interests of our directors and executive officers with those of the Company's shareholders and to provide a long-term incentive to reward those individuals for their contribution to the generation of shareholder value, while reducing the burden of cash compensation that would otherwise be payable by the Company.

The Stock Option Plan is administered by the Board. In determining the number of incentive Options to be granted to the Named Executive Officers, the Board has regard to several considerations including previous grants of Options and the overall number of outstanding Options relative to the number of outstanding Common Shares, as well as the degree of effort, time, responsibility, ability, experience and level of commitment of the executive officer. For a detailed discussion of the Stock Option Plan, please see "Options to Purchase Securities".

Compensation of Directors

Other than as disclosed, the only arrangements we have, standard or otherwise, pursuant to which we compensated directors for their services in their capacity as directors, or for committee participation, involvement in special assignments or for services as a consultant or expert during the most recently completed financial year or subsequently, are by (i) the issuance of incentive stock options; and (ii) reimbursement for out-of-pocket expenses incurred on behalf of the Company.

Summary Compensation Table

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's board of directors and corporate officers, including its Chief Executive Officer, President, and Chief Financial Officer.

The following table sets forth information with respect to the compensation of each Named Executive Officer of New Gen for the fiscal years ended December 31, 2018, 2017, and 2016:

Table of Compensation Excluding Compensation Securities

Name and principal position (a)	Year (b)	Salary ($) (c)	Share-based awards ($) (d)	Option-based awards ($)[3] (e)	Non-equity incentive plan compensation ($) (f)		Pension value ($) (g)	All other compensation ($) (h)	Total compensation ($) (i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
Jason T. Nguyen, CEO, director, and Chairman of the Board[1]	**2018 2017 2016**	**$390,000 $60,000 Nil**	**Nil Nil Nil**	**Nil Nil Nil**	**Nil Nil Nil**		**Nil Nil Nil**	**Nil Nil Nil**	**$390,000 $60,000 Nil**
Robert J. Brilon, President, CFO, Corporate Secretary, and director[2]	**2018 2017 2016**	**$237,019 $98,077 N/A**	**Nil Nil N/A**	**Nil Nil N/A**	**Nil Nil N/A**		**Nil Nil N/A**	**Nil Nil N/A**	**$237,019 $98,077 N/A**

Notes:

(1) Mr. Nguyen received $60,000 in relation to his position as CEO of New Gen and nil in relation to his position as a director of New Gen.

(2) Mr. Brilon was appointed CFO of New Gen on July 1, 2017, and received $98,077 and nil in relation to his position as a director of New Gen in fiscal 2017. Mr. Brilon subsequently was appointed President and CFO of New Gen on July 1, 2018.

(3) Includes the value of Options granted to such individual. All other convertible securities of the Company issued to the individuals above were assigned no value by the Company's auditors.

The Company was not a reporting issuer at any time during its most recently completed financial year. Accordingly, the following table sets forth information with respect to the anticipated compensation of each Named Executive Officer and directors of the Company once the Company becomes a reporting issuer:

Table of Compensation Excluding Compensation Securities

Name and Principal Position	Year	Salary, consulting fee, retainer or commission ($)	Bonus[(2)] ($)	Committee or meeting fees ($)	Value of perquisites [(1)] ($)	Long-term incentive plans ($)	Value of all other compensation ($)	Total compensation ($)
Jason T. Nguyen, CEO, director, and Chairman of the Board	2019	$410,000	Nil	Nil	$18,000	Nil	$17,868	$445,868
Robert J. Brilon, President, CFO, Corporate Secretary, and director	2019	$265,000	$15,000	Nil	$12,600	Nil	$8,934	$301,534
Dr. Jonathan Shelton Director	2019	Nil	Nil	Nil	Nil	Nil	$8,934	$8,934

(1) Pursuant to the Nguyen Employment Agreement (as hereafter defined), Mr. Nguyen is entitled to a monthly car allowance of $1,500 or a leased or owned vehicle during his employment. Pursuant to the Brilon Employment Agreement (as hereafter defined), Mr. Brilon is entitled to a monthly car allowance of $1,050 or a leased or owned vehicle during his employment.

(2) Pursuant to the Nguyen Employment Agreement (as hereafter defined), Mr. Nguyen will be awarded a bonus of $250,000 upon the assignment to New Gen of a patent pending that may be awarded to Mr. Nguyen during his employment and a 5% royalty on proceeds related to licensing the patent for the duration of the patent. Pursuant to the Brilon Employment Agreement (as hereafter defined), Mr. Brilon will be awarded a bonus of $15,000 upon the completion of a merger and public listing for New Gen.

The anticipated compensation set out above is based on current conditions in the cannabis industry and on the associated approximate allocation of time for each NEO and director, and is subject to adjustments based on changing market conditions and corresponding changes to required time commitments.

Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each Named Executive Officer and directors by the Company during the period from the Company's incorporation on December 11, 2015 to the date of this Prospectus for services provided or to be provided, directly or indirectly, to the Company:

Compensation Securities

Compensation Securities							
Name and Position	**Type of compensa-tion security**	**Number of compensation securities, number of underlying securities, & percentage of class(1)**	**Date of issue or grant**	**Issue, conver-sion or exercise price (CAD$)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry Date**
Jason T. Nguyen CEO, director, and Chairman of the Board	Options	100,000 (11.00%)	January 4, 2019	$1.00	N/A	N/A	January 4, 2029
Robert J. Brilon President, CFO, Corporate Secretary, and director	Options	50,000 (5.50%)	January 4, 2019	$1.00	N/A	N/A	January 4, 2029
Dr. Jonathan Shelton Director	Options	50,000 (5.50%)	January 4, 2019	$1.00	N/A	N/A	January 4, 2029

(1) Percentage is based on 909,000 Options outstanding as of the date hereof.

Since incorporation on December 11, 2015 to the date of this Prospectus, there has been no exercise of compensation securities of the Company issued to Named Executive Officer and directors of the Company.

Employment, Consulting and Management Agreements

The Company has entered into the following employment agreements with officers of the Company (each, an "**Executive**"):

(i) Employment Agreement dated July 1, 2018 between Jason T. Nguyen and New Gen (the "**Nguyen Employment Agreement**");

(ii) Employment Agreement dated July 1, 2018 between Robert J. Brilon and New Gen (the "**Brilon Employment Agreement**");

(collectively, the Nguyen Employment Agreement and the Brilon Employment Agreement are referred to as the "**Employment Agreements**").

The Nguyen Employment Agreement is for an initial period of three years. At the expiration of the agreement, the agreement will be renewed for regular terms of one year each on a fulltime basis, provided neither party submits a notice of termination in accordance with the agreement. The employment will be at-will employment and may be terminated at any time by either party with or without cause or notice, and without any liability or obligation except as provided in the agreement. If New Gen terminates the agreement at any time during the agreement, for any reason except for those acts by the employee to be considered "cause" (willful misconduct in the scope of Mr. Nguyen's employment which substantially interferes with the contracts or operations of New Gen or Mr. Nguyen's conviction of a felony which substantially interferes with the contracts or operations of New Gen), New Gen agrees to provide Mr. Nguyen with 24 months of base compensation and 24 months of employee benefits value. If Mr. Nguyen terminates the agreement at any time during the agreement, for "good reasons" (the occurrence of i) New Gen's material breach of a material term of the agreement including a failure to pay any portion of Mr. Nguyen's compensation or benefits; ii) a material diminution in Mr. Nguyen's position, duties or responsibilities; iii) a material reduction by New Gen of Mr. Nguyen's aggregate annualized compensation and benefits except for across-the-board reductions affecting similarly situated executive officers of New Gen; or iv) any required relocation of Mr. Nguyen's residence by New Gen or the relocation of New Gen's offices at which Mr. Nguyen is principally employed beyond a radius of 30 miles) or "change of control" (a change in the composition of the board of directors, as a result of which fewer than one-half of the incumbent directors remain directors or the acquisition or aggregation of securities by any person pursuant to which the person becomes the beneficial owner, directly or indirectly, of securities of New Gen representing 50% or more of the combined voting power of the outstanding securities of New Gen) reasons, New Gen agrees to provide Mr. Nguyen with 24 months of base compensation and 24 months of employee benefits value. For the services of CEO rendered by Mr. Nguyen, New Gen will pay to Mr. Nguyen base compensation of USD$390,000 for full time employment in year one; USD$430,000 for full time employment in year two; and USD$470,000 for full time employment in year three. In addition to the base compensation, an additional bonus of up to 100% of the base wage will be payable in any commission or sales bonus structure approved by the board from time to time. Mr. Nguyen will be awarded a bonus of USD$250,000 upon the assignment to New Gen of a patent pending that may be awarded to Mr. Nguyen during his employment and a 5% royalty on the proceeds related to licensing of the patent for the duration of the patent. Under the Nguyen Employment Agreement, Mr. Nguyen was awarded 100,000 Options. See "Stock Options and other Compensation Securities" above. See also "Description of the Securities – Capitalization".

The Brilon Employment Agreement is for an initial period of three years. At the expiration date of the agreement, the agreement will be renewed for regular terms of one year each, under fulltime employment, provided neither party submits a notice of termination in accordance with the agreement. Pursuant to the Brilon Employment Agreement, the employment of Mr. Brilon will be at-will employment and may be terminated at any time by either party with or without cause or notice, and without any liability or obligation except as expressly provided in the agreement. If New Gen terminates the employment of Mr. Brilon at any time during the term of the Brilon Employment Agreement, for any reason except "for cause", New Gen will provide 24 months of base compensation and 24 months of employee benefits value. If Mr. Brilon terminates the employment at any time during the agreement for "good reason" or "change of control", New Gen agrees to provide the employee with 24 months of base compensation and 24 months of employee benefits value. For the services of President, CFO, and Corporate Secretary rendered by Mr. Brilon, New

Gen will pay to Mr. Brilon base compensation of USD$250,000 for full time employment in year one; USD$280,000 for full time employment in year two; and USD$310,000 for full time employment in year three. In addition to Mr. Brilon's base compensation, an additional bonus of up to 100% of the base wage will be payable upon meeting certain performance goals to be set mutually and participation in any commission or sales bonus structure approved by the board. Mr. Brilon will be awarded a bonus of $15,000 upon the completion of the New Gen Transaction and listing of the Company's Common Shares on the CSE. Under the Brilon Employment Agreement, Mr. Brilon was awarded 50,000 Options. See "Stock Options and other Compensation Securities" above. See also "Description of the Securities – Capitalization".

Pension Plan Benefits

The Company currently does not provide pension plan benefits for Named Executive Officers, directors or employees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as described below, none of our directors, executive officers, employees, former directors, former executive officers or former employees or any of our subsidiaries, and none of their respective associates, is or has within 30 days before the date of this Prospectus or at any time since the beginning of the most recently completed financial year been indebted to us or any of our subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by us or any of our subsidiaries.

AGGREGATE INDEBTEDNESS ($)		
Purpose	**To New Gen or its Subsidiaries**	**To Another Entity**
Share purchases	Nil	Nil
Other	$2,385,325(1)	Nil

(1) The amount due from Jason T. Nguyen, the CEO and sole director of New Gen as at December 31, 2018 represents a personal loan advanced by New Gen to Mr. Nguyen and is non-interest bearing. $537,151 is due on December 31, 2021, $316,251 is due on December 31, 2022, $1,327,117 is due on December 31, 2023, and $204,806 is due on demand.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdiction to qualify the distribution of 1,000,000 Qualified Units. Each Qualified Unit consists of one Unit Share and one-half of one Underlying Warrant. Each Underlying Warrant will entitle the holder thereof to acquire one Underlying Share at an exercise price of CAD$0.25 until December 24, 2019. 1,000,000 Unit Shares and 500,000 Underlying Warrants will be issued upon the exercise or deemed exercise of 1,000,000 Special Warrants.

On December 24, 2018, the Company completed the Offering pursuant to prospectus exemptions under applicable securities legislation. In connection with the Offering, the Company issued the Special Warrants in the Qualifying Jurisdiction on a private placement basis at a price of CAD$0.25 per Special Warrant.

AUDIT COMMITTEE

Audit Committee Charter

The Company is in the process of developing a charter of the Audit Committee and expects to have such charter in place shortly after filing of this Prospectus.

Composition of the Audit Committee

Pursuant to applicable laws, the Company is required to have an audit committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company or an affiliate of the Company.

The following are the members of the audit committee:

Member	Independence	Financially Literacy
David Eaton	Independent[(1)]	Financially Literate
Robert J. Brilon	Not Independent[(1) (2)]	Financially Literate
Dr. Jonathan Shelton	Independent[(1)]	Financially Literate

Notes:
(1) Within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 51-110**").
(2) Robert J. Brilon is an executive officer of the Company and therefore, he is considered under NI 52-110 to be non-independent.

Relevant Education and Experience

In addition to each member's general business experience, the education and experience of each Audit Committee member is set out in "Directors and Officers" above.

Mandate and Responsibilities of the Audit Committee

The Audit Committee's mandate and responsibilities include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Company's external auditors at least once a year.

Audit Committee Oversight

At no time since the date of incorporation on December 11, 2015 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the date of incorporation on December 11, 2015, has the Company relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Company will rely on the exemptions provided for "venture issuers" in section 6.1 of National Instrument 52-110 – *Audit Committees* with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations.

Pre-Approval Policies and Procedures

The Audit Committee is required to approve the engagement of the Company's external auditors in respect of non-audit services.

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Buckley Dodds Parker LLP to ensure auditor independence. The following table sets out the aggregate fees billed by Buckley Dodds Parker LLP for December 31, 2017 and December 31, 2016 for each category of fees described:

Financial Period for the Company Ended December 31, 2017 and December 31, 2016	Audit Fees[(1)]	Audit Related Fees[(2)]	Tax Fees[(3)]	All Other Fees[(4)]
	$64,000	-	-	-

Notes:

(1) "Audit Fees" includes fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "All Other Fees" include all other non-audit services.

CORPORATE GOVERNANCE

On June 30, 2005, the Canadian Securities Administrators ("**CSA**") enacted National Policy 58-201 – *Corporate Governance Guidelines* (the "**Governance Policy**") and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). The Governance Policy provides guidelines on corporate governance practices while NI 58-101 requires Canadian reporting Companies to disclose their corporate governance practices in accordance with the disclosure items set out in Form 58-101F1.

The Company has reviewed its own corporate governance practices in light of the guidelines contained in the Governance Policy. The Company's practices comply generally with the guidelines, however, the current directors of the Company consider that some of the guidelines are not suitable for the Company at its current state of development and therefore the Company's governance practices do not reflect these particular guidelines. Given that the Company is a relatively small Company in terms of both activities and market capitalization, the directors of the Company believe that the current governance structure is cost-effective and appropriate for the needs of the Shareholders.

Set out below is a description of the Company's corporate governance practices as required to be disclosed by NI 58-101.

Board of Directors

At the date of filing of this Prospectus, the Board consisted of four directors, two of whom (David Eaton and Dr. Jonathan Shelton) are independent. The other four directors are Jason T. Nguyen, CEO of the Company, and Robert J. Brilon, President, CFO, and Corporate Secretary of the Company, Dr. Jonathan Shelton, an independent director of the Company, and David Eaton, an independent director of the Company.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Board Mandate

The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has access to the Company's external auditors, legal counsel and to any of the Company's officers.

The Board has a stewardship responsibility to supervise the management of and oversee the conduct of the business of the relevant company, provide leadership and direction to management, evaluate management, set policies appropriate for the business of the Company and approve corporate strategies and goals.

The day-to-day management of the business and affairs of the Company is delegated by the Board to the senior officers of the Company. The Board will give direction and guidance through the President to management and will keep management informed of its evaluation of the senior officers in achieving and complying with goals and policies established by the Board.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

Position Description

Because the Board is a small, working board, it has not developed written position descriptions and does not have a process for assessing the performance of the directors or the chair of the Board committees.

The CEO, together with the President, Chief Financial Officer, and Corporate Secretary of the Company, are responsible for the general management of the day-to-day affairs of the Company within the guidelines established by the Board, consistent with decisions requiring prior approval of the Board.

Other Reporting Issuer Experience

The following table sets out the directors, officers and promoters of the Company that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name of Director, Officer or Promoter)	Name of Reporting Issuer	Exchange	Position	Term
Robert J. Brilon	Iveda Solutions, Inc.	OTC	President and CFO	April 2008 to present
David Eaton	Providence Gold Mines Inc.	TSXV	Director	Oct 2018 to present
	Jayden Resources Inc.	TSXV	President and CEO	June 2016 to present

Orientation and Continuing Education

While the Company does not have formal orientation and training programs, orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by governing corporate legislation and the common law, and the restrictions placed by the BCBCA on an individual director's participation in decisions of the board in which the director has an interest, have helped to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of a company also serves as a director or officer of another company engaged in similar business activities to the first company, that director must comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

Nomination of Directors

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

Compensation

The Board conducts reviews with regard to directors' and officers' compensation at least once a year. For information regarding the steps taken to determine compensation for the directors and the executive officers, see *"Executive Compensation"* herein.

Other Board Committees

The Board has no other committees other than the Audit Committee.

Assessments

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. On an ongoing annual basis, the Board assesses the performance of the Board as a whole, each of the individual directors and each committee of the Board in order to satisfy itself that each is functioning effectively.

RISK FACTORS

Investing in the Company involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Company currently believes to be material, but they are not the only ones that the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently consider not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company could decline and an investor could lose part or all of such investor's investment.

Risks Related to the Company

Credit Risk

The Company is subject to credit risk (the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations) on its receivables. As at December 31, 2017 and 2016, the Company was dependent on one major customer from its consulting business segment. The majority of the Company's accounts receivable is from this customer. The Company has taken an allowance for all receivables earned prior to 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2017, it is not exposed to significant credit risk from this customer, as the majority of the outstanding accounts receivables was received by the Company subsequent to the year ended December 31, 2017.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its capital management. As at December 31, 2017, the Company had accounts receivables of $9,121,521 to settle its bank indebtedness, accounts payable and short-term notes payable of $936,017. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Uncertainty about the Company's ability to continue as a going concern.

The Company is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the cannabis industry and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

There are factors which may prevent the Company from the realization of growth targets.

The Company's growth strategy includes completing the Phase IV buildout of its cultivation facility. There is a risk that this will not be achieved on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;

- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions or storms.

The Company may be reliant on a single stream of income through its 100% ownership of New Gen and its subsidiaries, and any changes could materially affect the Company's plans.

The Company, through New Gen, owns 100% of the shares and the business of its subsidiaries. New Gen's subsidiaries are holding companies, holding 100% interests in subsidiary entities engaging in business ancillary to cannabis and holding intellectual property. These businesses have material contracts with an Arizona-state cannabis License Holder. The License Holder holds "marijuana producer" licenses and "marijuana processor" licenses, both issued by the AHS. New Gen's activities and resources have been focused on Arizona. The Company expects to continue to primarily be in a business relationship with the License Holders for the foreseeable future. Adverse changes or developments affecting the License Holders, or marijuana businesses generally, could have a material and adverse effect on the Company's business, financial condition and prospects.

Nature of the Business Model

The primary businesses of the Company (through one or more operating companies owned by the Company) are intended to be: (i) the leasing of integrated commercial real estate to marijuana producers and processors in the State of Arizona; and (ii) the providing of other products and services to "marijuana producers" and "marijuana processors". Because the production and sale of medical and recreational cannabis remain illegal under federal law, it is possible that the Company's future tenants and customers may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency ("**DEA**") and Internal Revenue Service ("**IRS**"), has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down a tenant's operations will have an adverse effect on the Company's business, operating results and financial condition.

Probable lack of business diversification.

Because the Company will be focused on developing its business ancillary to the cannabis industry, and potentially directly in the cannabis industry, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Company's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

The Company may face significant competition from other facilities.

Many other businesses in Arizona State engage in similar activities to the Company, leasing commercial space to "marijuana producers" and "marijuana processors", and providing additional products and services to similar customers. The Company cannot assure you that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. The Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

There is no assurance that the Company will continue to turn a profit or generate revenues.

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions there from, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

The Company has grown by acquisition. If the Company implements it business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Common Shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer, Chief Financial Officer, and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

If obtained, any state licenses in the U.S. are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.

The Company may grow by acquiring businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Stock Option Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company currently has insurance coverage; however, because the Company's business is ancillary to the cannabis industry, there additional difficulties and complexities associated with such insurance coverage.

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

Although certain officers and board members of the Company are expected to be bound by anticircumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of New Gen and its subsidiaries) may be engaged in a range of business activities.
In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the

Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

No guarantee on the use of available funds by the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Common Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favorable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Currency Fluctuations.

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risk Factors Specifically Related to the United States Regulatory System

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law.

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, marijuana is largely regulated at the state level. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act ("**CSA**"). An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares.

In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company intends to lease real estate, provide material supply agreement, and provide intellectual property to a licensed "marijuana producer" and "marijuana processor" in Arizona State. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

The enforcement of relevant laws is a significant risk.

Twenty-nine of the states in the U.S. have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, cannabis-related operations and investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the Company's operations in the U.S. along with any future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's operations and potential future investments in the U.S.

For the reasons set forth above, the Company's existing interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have cannabis-related operations and/or investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("**CSA**") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

The Company's activities and operations in the U.S. are, and will continue to be, subject to evolving regulation by governmental authorities. The Company will be directly engaged in the medical and recreational cannabis industry in Arizona, where local state law permits such activities.

The Company's operations are exclusively focused in Arizona, a state that has legalized the recreational use of cannabis. Currently, the states of Alaska, California Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have also legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's current and future operations along with any future investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its potential investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published a Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue future investment and opportunities in the U.S.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under U.S. federal law. Although the Company's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors:

- The Company operates in the cannabis sector in the U.S., where cannabis is federally illegal;

- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;

- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;

- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;

- Under Section 280E of the *Internal Revenue Code*, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;

- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Company will be able to maintain its existing accounts or obtain new accounts in the future; and

- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

The Company's investments and operations in the United States may be subject to heightened scrutiny.

For the reasons set forth above, the Company's existing investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it decide to do so. The Company's inability to expand its operations into other jurisdictions may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations*, investors are cautioned that in the U.S., cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, may be in violation of federal law in the U.S.

As previously stated, the United States Congress has passed the Leahy Amendment each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2018 *Consolidated Appropriations Act* was passed by Congress on March 23, 2018, and included the re-authorization of the Leahy Amendment. The Leahy Amendment was set to expire with the 2018 Fiscal Year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the "**Continuing Resolution**"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018.

On May 17, 2018 the U.S. House of Representatives Appropriations Committee approved the inclusion of the Rohrabacher-Blumenauer Amendment (previously, the Rohrabacher Farr Amendment), which adds a provision to prohibit the U.S. Department of Justice from using funding to prevent states from implementing medical marijuana laws through the end of fiscal year 2019, known as the "Joyce Amendment".

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce, etc., of industrial hemp. Industrial hemp is defined as hemp which contains less than .3% tetrahydrocannabinol (THC), the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis. This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria: the hemp contains less than 0.3% THC; the producer of the hemp is licensed by the state where it was grown; and the state where it was grown has a hemp program approved by the USDA. Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained. Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of cannabidiol (CBD). Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well. Management believes hemp legalization is positive for a number of reasons: (1) CBD source material will likely become cheaper, leading to lower cost basis in certain CBD-infused products sold by the Company; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

U.S. Border Officials could deny entry into the U.S. to management, employees and/or investors in companies with cannabis operations in the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. On October 9, 2018, U.S. Customs and Border Protection provided an update to such statement. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. The Company's business and investments are located in the United States and while the majority of the Company's directors, officers and employees are currently resident and located in the United States, if any of the Company's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Company's ability to operate in the United States. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the United States could make it more difficult for the Company to engage qualified directors, officers and employees in the future.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in the State of Arizona. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, Arizona State or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration.

In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company's contracts may not be legally enforceable in the United States.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Related to the Company's Securities

The Company cannot assure you that a market will continue to develop or exist for the Common Shares or what the market price of the Common Shares will be.

The Company cannot assure that a market will continue to develop or be sustained once the Company's shares are listed on the CSE. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell the Common Shares at an attractive price or at all. The Company cannot predict the prices at which the Common Shares will trade.

It may be difficult, if not impossible, for U.S. holders of the Common Shares to resell them over the CSE.

It has recently come to management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Common Shares as "restricted securities" (including any Common Shares pursuant to the exercise of Warrants) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any common shares of the Company that they may acquire in open market transactions.

The market price for the Company's shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control.

The market price for the Company's shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the

Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
- operating and share price performance of other companies that investors deem comparable to us; fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

The Company is subject to uncertainty regarding legal and regulatory status and changes.

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the US is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company does not anticipate paying cash dividends.

The Company's current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Company's shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Company's board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company pays dividends, which the Company might never do, Company shareholders will not be able to receive a return on their Common Shares unless they sell them.

Future sales of Common Shares by existing shareholders could reduce the market price of the Common Shares.

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. Additional Common Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares. Holders of Options or

Warrants or Agent’s Options will have an immediate income inclusion for tax purposes when they exercise their Options, Warrants or Agent’s Options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of Options, Warrants or Agent’s Options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and fewer long-term holds of Common Shares by the Company’s management and employees.

PROMOTERS

Jason T. Nguyen may be considered a promoter of the Company within the meaning of applicable securities laws. Mr. Nguyen currently owns 1,425,300 Common Shares and 100,000 Options to purchase 100,000 Common Shares. Mr. Nguyen receives compensation from the Company for his services as the CEO of New Gen pursuant to the terms of an employment agreement with New Gen dated as of July 1, 2018. See “Execution Compensation”.

Other than as disclosed in this section or elsewhere in this Prospectus, no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or

has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

LEGAL PROCEEDINGS

There are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since Company to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS

The auditor for the Company is Buckley Dodds LLP Chartered Professional Accountants of Suite 1140, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6. Buckley Dodds LLP Chartered Professional Accountants has confirmed that they are independent of the Company within the meaning of the “CPABC Code of Professional Conduct” of the Chartered Professional Accountants of British Columbia.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's securities is TSX Trust Company, at its principal offices located at Vancouver, British Columbia.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the only material contracts entered into by the Company or its Subsidiaries within two years prior to the date of this Prospectus which are currently in effect and considered to be currently material:

Equipment Lease and Professional Services Agreement between Hydroponics Solutions LLC (Ste. 200, 777 E. Missouri Avenue, Phoenix, Arizona, 85014), the Lessor, and Herbal Wellness Center, Inc. (4126 W. Indian School Road, Phoenix, Arizona, 85019), the Lessee

Commercial Sublease for 4215 N. 40th Avenue, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Commercial Sublease made effective as of September 1, 2018, by and between New Gen Real Estate Services, LLC, the Tenant, and Herbal Wellness Center, the Subtenant, and pursuant to a lease agreement dated March 19, 2015, between the Tenant and SCF Properties, LLC, a California limited liability company

First Lease Amendment dated April 13, 2016 between SCF Properties LLC and New Gen Real Estate Services LLC, for the leased premises located at 4215 N. 40^{th} Street, Phoenix, Arizona, 85019, containing approximately 21,000 square feet for a term commencing on May 1, 2018 and terminating on April 30, 2024

Commercial Lease for 4126 W. Indian School Road, Phoenix, Arizona, 85019 pursuant to the terms and conditions of the Lease Agreement dated as of September 1, 2018 between New Gen Real Estate Services LLC, the Landlord, and Herbal Wellness Center, Inc., the Tenant

Management Services Agreement Between New Gen Agricultural Services LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018

Management Services Agreement Between Step 1 Consulting LLC, the Manager, and Herbal Wellness Center, Inc., the Company, entered into July 1, 2018

Staffing Services Agreement Between Herbal Wellness Center, the Client, and New Gen Admin Services LLC, the Agency, made and entered into on July 1, 2018

Employment Agreement Between New Gen Admin Services LLC and Jason T. Nguyen dated as of July 1, 2018

Employment Agreement Between New Gen Admin Services LLC and Robert J. Brilon dated as of July 1, 2018

Share Exchange Agreement, dated effective as of December 21, 2018, and as amended by the Addendum No. 1 dated effective as of December 27, 2018, between the Company, New Gen, and the shareholders of New Gen

Finder's Fee Agreement, made effective as of December 21, 2018, between the Company and Cameron and Associates with respect to the issuance of Finder's Warrants in connection with the New Gen Transaction

Copies of the above material contracts can be inspected at the Company's head office during regular business hours for a period of 30 days after a final receipt is issued for this Prospectus and are also available electronically at www.sedar.com.

LEGAL MATTERS

Certain Canadian legal matters in connection with this Prospectus will be passed upon by Buttonwood Law Corporation, on behalf of the Company. As at the date hereof, the partners and associates of Buttonwood Law Corporation, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Buttonwood Law Corporation is the Company's counsel with respect to Canadian legal matters herein;

- Buckley Dodds LLP, Chartered Professional Accountants, is the external auditor of the Company and reported on the Company's audited financial statements for the years ended December 31, 2017 and December 31, 2016 and the period ended September 30, 2018 attached as Schedule "A"; and

- Buckley Dodds LLP, Chartered Professional Accountants, is the external auditor of New Gen and reported on New Gen's audited financial statements for the years ended December 31, 2017 and December 31, 2016 and the period ended September 30, 2018 attached as Schedule "C".

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RECISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a Prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of common share purchase warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the common share purchase warrants is offered to the public under the prospectus offering. This means that under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of the right of action for damages or consult with a legal adviser.

CONTRACTUAL RIGHT OF RESCISSION

The Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Qualified Units on the exercise or deemed exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this prospectus or an amendment to this prospectus containing a misrepresentation,

(a) the holder is entitled to rescission of both the holder's exercise or deemed exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired,

(b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant, and

if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

OTHER MATERIAL FACTS

To the knowledge of management, there are no other material facts relating to the Company that are not otherwise disclosed in this Prospectus or are necessary for this Prospectus to contain full, true and plain disclosure of all material facts relating to the Company.

SCHEDULE "A"

COMPANY FINANCIAL STATEMENTS

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)

Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian dollars)

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)

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BUCKLEY DODDS LLP
Chartered Professional Accountants

Suite 1140 - 1185 West Georgia Street
Vancouver, B.C. Canada V6E 4E6
Telephone: (604) **688-7227**
Fax: (604) 681-7716

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Calyx Growth Corporation (formerly Fabula Exploration Inc.):

We have audited the accompanying financial statements of Calyx Growth Corporation (formerly Fabula Exploration Inc.) which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calyx Growth Corporation (formerly Fabula Exploration Inc.) as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about Calyx Growth Corporation's (formerly Fabula Exploration Inc.) ability to continue as a going concern.

Vancouver, British Columbia
January _, 2019

Buckley Dodds LLP
Chartered Professional Accounts

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Statements of Financial Position
(Expressed in Canadian dollars)

	Notes		December 31, 2017		December 31, 2016
Assets					
Current					
Cash		**$**	**60,402**	$	12,379
Receivables			**65**		20
Total Assets		**$**	**60,467**	$	12,399
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable		**$**	**142**	$	142
Total Liabilities			**142**		142
Shareholders' Equity					
Share capital	6		**66,944**		16,944
Deficit			**(6,619)**		(4,687)
Total Shareholders' Equity			**60,325**		12,257
Total Liabilities and Shareholders' Equity		**$**	**60,467**	$	12,399

Nature of operations and going concern (Note 1)
Subsequent events (Note 8)

Approved on Behalf of the Board of Directors on January _, 2019:

_____________________________ Director _________________________ Director

The accompanying notes are integral to these financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Year ended December 31, 2017		Year ended December 31, 2016
Expenses				
Bank charges	$	**73**	$	102
Legal fees		**-**		2,675
Transfer agent and regulatory		**1,859**		1,910
Net loss and comprehensive loss for the year	$	**(1,932)**	$	(4,687)
Basic and diluted loss per common share	$	**(0.002)**	$	(0.01)
Weighted average number of common shares outstanding		**1,104,473**		409,942

The accompanying notes are integral to these financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common Shares						
	Number of Shares		**Amount**		**Deficit**		**Total**
Balance – December 31, 2015	**200,000**	**$**	**6,000**	**$**	**-**	**$**	**6,000**
Shares issued for cash on private placement, net of issuance costs	430,500		10,944		**-**		10,944
Net loss and comprehensive loss for the year	**-**		**-**		(4,687)		(4,687)
Balance – December 31, 2016	**630,500**		**16,944**		**(4,687)**		**12,257**
Shares issued for cash on private placement, net of issuance costs	1,000,000		50,000		**-**		50,000
Net loss and comprehensive loss for the year	-		-		(1,932)		(1,932)
Balance – December 31, 2017	**1,630,500**	**$**	**66,944**	**$**	**(6,619)**	**$**	**60,325**

The accompanying notes are integral to these financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2017		Year ended December 31, 2016
Cash flows from operating activities				
Net loss for the year	**$**	**(1,932)**	$	(4,687)
Changes in non-cash operating working capital:				
Receivables		**(45)**		(20)
Accounts payable & accrued liabilities		**-**		142
Net cash used in operating activities		**(1,977)**		(4,565)
Cash flows from financing activities:				
Proceeds from share issuances		**50,000**		18,915
Share issuance costs		**-**		(1,971)
Net cash provided by financing activities		**50,000**		16,944
Increase in cash		**48,023**		12,379
Cash, beginning of the year		**12,379**		-
Cash, end of the year	**$**	**60,402**	$	12,379
Cash paid for interest	**$**	**-**	$	-
Cash paid for income taxes	**$**	**-**	$	-

The accompanying notes are integral to these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Calyx Growth Corporation (formerly Fabula Exploration Inc.) (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at 1980-1075 W. Georgia St., Vancouver BC, V6E 3C9, Canada and registered office is located at 900-1021 W. Hastings St., Vancouver, BC, V6E OC3, Canada.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern.

The development of its business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On December 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of $6,619 (2016 – $4,687), and working capital of $60,325 (2016 – $12,257), and expects to incur losses in the development of its business.

The Company's solvency, ability to meet its liabilities as they become due and to continue its operations, is currently essentially dependent on funding provided by investors. If the investors are unwilling to provide ongoing funding to the Company and/or if the Company is unable to raise additional capital in the immediate future, the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures or cease operations. This material uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The financial statements, unless otherwise specified, are presented in Canadian dollars, which is the functional currency of the Company.

2. BASIS OF PRESENTATION (CONTINUED…)

c) Approval of the Financial Statements

The financial statements of the Company for the years ended December 31, 2016 and 2017 were approved and authorized for issue by the Board of Directors on January _, 2019.

d) Significant Accounting Judgements and Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported revenues and expenses during the reporting period.

Critical Judgements

The preparation of these financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash consists of cash held at major financial institutions and is subject to insignificant risk of changes in value.

b) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

c) Earnings/Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED…)

d) Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss (“FVTPL”), (2) loans and receivables, (3) financial assets available for sale, (4) financial assets held to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets and liabilities classified as available for sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets “held to maturity”, “loans and receivables”, and “other financial liabilities” are subsequently measured at amortized cost using the effective interest method. The Company’s financial assets and liabilities are recorded and measured as follows:

Asset or Liability	**Category**	**Measurement**
Cash	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED…)

d) Financial Instruments (continued…)

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a separate line item. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e) Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. These standards are not expected to have a significant impact on the financial statements of the Company.

Amendments to IFRS 2 – "Share-based Payments". This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The Company is in the process of determining the impact of the adoption of this standard on the financial statements, if any. Effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 9 "Financial Instruments". This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers". This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED…)

e) Standards Issued but not yet Effective (Continued…)

New standard IFRS 16 "Leases" This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration". This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The Company has considered the change and assessed that it will have no material impact on adoption. Effective for annual periods beginning on or after January 1, 2018.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's financial statements.

4. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other shareholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables and accounts payable. The fair values of the Company's receivables and accounts payable approximate their carrying values, due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or common shares.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

   Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

b) Price risk

   The Company is not exposed to price risk as it has no instruments in publicly held securities.

c) Foreign currency risk

   The Company is not exposed to foreign exchange risk as all of its operations are in Canada.

(Expressed in Canadian dollars)

6. SHARE CAPITAL

a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value.

At December 31, 2017, the Company has 1,630,500 (2016 – 630,500) common shares issued and outstanding.

b) Share issuances

During the year ended December 31, 2017:

- On July 11, 2017, 1,000,000 common shares were issued by the Company at $0.05 per common share for aggregate gross proceeds of $50,000.

During the year ended December 31, 2016:

- On July 6, 2016, the Company completed its private placement of an aggregate of 430,500 common shares at a price of $0.03 per share for aggregate gross proceeds of $12,915 and incurred $1,971 in share issuance costs.
- The Company received $6,000 for 200,000 common shares that were issued during the year ended December 31, 2015 to the directors of the Company.

7. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery

		Year ended December 31, 2017		Year ended December 31, 2016
Loss before income taxes	**$**	**(1,932)**	$	(4,687)
Statutory rate		**26.00%**		26.00%
Expected recovery of income tax	**$**	**(502)**	$	(1,219)
Share issuance costs		**-**		410
Change in unrecognized deductible temporary differences		**502**		809
Total income tax recovery	**$**	**-**	$	-

(Expressed in Canadian dollars)

7. INCOME TAXES (CONTINUED…)

The following is a summary of the Company's deferred tax assets:

		As at December 31, 2017		As at December 31, 2016
Loss carry forwards	**$**	**1,926**	$	1,321
Share issuance costs		**307**		410
Unrecognized deferred tax asset		**(2,233)**		(1,731)
Net deferred tax asset	**$**	**-**	$	-

As at December 31, 2017, the Company has estimated non-capital losses for Canadian income tax purposes of $7,407 that may be carried forward to reduce taxable income derived in future years. These losses expire from 2036 to 2037. In addition, the Company has $1,183 in share issuance costs which can be carried forward, and expire from 2038 – 2040.

Tax attributes are subject to review and potential adjustment by tax authorities

8. SUBSEQUENT EVENTS

On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of $0.05 per share for aggregate amounts of $50,000

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) Unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each Unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

8. SUBSEQUENT EVENTS (CONTINUED)

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. (“New Gen”), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)

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(Expressed in Canadian dollars)

	Notes		September 30, 2018		December 31, 2017
Assets					
Current					
Cash		$	8,201	$	60,402
Receivables			172		65
Total Assets		$	8,373	$	60,467
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable		$	301	$	142
Total Liabilities			301		142
Shareholders' Equity					
Share capital	4		16,944		66,944
Deficit			(8,872)		(6,619)
Total Shareholders' Equity			8,072		60,325
Total Liabilities and Shareholders' Equity		$	8,373	$	60,467

Nature of operations and going concern (Note 1)
Subsequent events (Note 6)

Approved on Behalf of the Board of Directors on January _, 2019:

______________________________ Director ______________________________ Director

The accompanying notes are integral to these financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Expenses				
Bank charges	$ 18	$ 19	$ 54	$ 55
Legal fees	882	-	882	-
Transfer agent and regulatory	422	499	1,317	1,309
Net loss and comprehensive loss for the period	$ (1,322)	$ (518)	$ (2,253)	$ (1,364)
Basic and diluted loss per common share	$ (0.002)	$ (0.000)	$ (0.002)	$ (0.001)
Weighted average number of common shares outstanding	630,500	1,510,935	1,029,767	927,203

The accompanying notes are integral to these condensed interim financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(Unaudited)

	Common Shares			
	Number of Shares	**Amount**	**Deficit**	**Total**
Balance – December 31, 2016	**630,500**	**$ 16,944**	**$ (4,687)**	**$ 12,257**
Shares issued for cash on private placement, net of issuance costs	1,000,000	50,000	-	50,000
Net loss and comprehensive loss for the period	-	-	(1,364)	(1,364)
Balance – September 30, 2017	**1,630,500**	**$ 66,944**	**$ (6,051)**	**$ 60,893**
Balance – December 31, 2017	**1,630,500**	**$ 66,944**	**$ (6,619)**	**$ 60,325**
Share repurchase	(1,000,000)	(50,000)	-	(50,000)
Net loss and comprehensive loss for the period	-	-	(2,253)	(2,253)
Balance – September 30, 2018	**630,500**	**$ 16,944**	**$ (8,872)**	**$ 8,072**

The accompanying notes are integral to these condensed interim financial statements.

Calyx Growth Corporation
(formerly Fabula Exploration Inc.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash flows from operating activities		
Net loss for the period	**$ (2,253)**	$ (1,364)
Changes in non-cash operating working capital:		
Receivables	**(107)**	(25)
Accounts payable	**159**	-
Net cash used in operating activities	**(2,201)**	(1,389)
Cash flows from financing activities:		
Proceeds from share issuances	**-**	50,000
Repurchase of shares	**(50,000)**	-
Net cash (used in) provided by financing activities	**(50,000)**	50,000
Change in cash	**(52,201)**	48,611
Cash, beginning of the period	**60,402**	12,379
Cash, end of the period	**$ 8,201**	$ 60,990
Cash paid for interest	**$ -**	$ -
Cash paid for income taxes	**$ -**	$ -

The accompanying notes are integral to these condensed interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Calyx Growth Corporation (formerly Fabula Exploration Inc.) (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at 1980-1075 W. Georgia St., Vancouver BC, V6E 3C9, Canada and registered office is located at 900-1021 W. Hastings St., Vancouver, BC, V6E OC3, Canada.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully develop its business. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern.

The development of its business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On September 30, 2018, the Company had not yet achieved profitable operations, had an accumulated deficit of $8,872, and working capital of $8,072 and expects to incur losses in the development of its business.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These condensed interim financial statements are prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the significant accounting policies disclosed in Note 3 of the most recent annual financial statements as at and for the year ended December 31, 2017. The condensed interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the directors of the Company on January _, 2019. These condensed interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2017.

These financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), and available-for-sale, which are stated at their fair value.

a) New accounting policies

The following is a summary of recent accounting policies that the Company was required to adopt in the current period. The adoption of the standards and the amendments had no impact on the Company's financial statements.

Amendments to IFRS 2 – "Share-based Payments". This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. Effective for annual periods beginning on or after January 1, 2018.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED…)

a) New accounting policies (continued…)

New standard IFRS 9 "Financial Instruments". This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 15 "Revenue from Contracts with Customers". This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration". This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The Company has considered the change and assessed that it will have no material impact on adoption. Effective for annual periods beginning on or after January 1, 2018.

b) Standards issued but yet not effective

New standard IFRS 16 "Leases" This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's financial statements.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other shareholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

The Company's financial instruments consist of cash, receivables and accounts payable.

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities.
Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly.
Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement.

The fair values of the Company's receivables and accounts payable approximate their carrying values due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

4. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT (CONTINUED…)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or common shares.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

b) Price risk

The Company is not exposed to price risk as it has no instruments in publicly held securities.

c) Foreign currency risk

The Company is not exposed to foreign exchange risk as all of its operations are in Canada.

5. SHARE CAPITAL

Authorized: unlimited common shares without par value

Shares issued

During the period ended September 30, 2018:

- On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of $0.05 per share for aggregate amounts of $50,000.

During the year December 31, 2017:

- On July 11, 2017, 1,000,000 common shares were issued by the Company at $0.05 per common share for aggregate gross proceeds of $50,000.

6. SUBSEQUENT EVENTS

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) Unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each Unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

SCHEDULE "B"

COMPANY MD&A

BACKGROUND

The following management discussion and analysis ("MD&A") of the results of operations and financial condition, prepared as of January 10, 2019 should be read in conjunction with the audited financial statements of Calyx Growth Corporation (formerly Fabula Exploration Inc.) (the "Company" or "Calyx") for the years ended December 31, 2017 and December 31, 2016, and accompanying notes thereto. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the year ended December 31, 2017, the Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

DESCRIPTION OF BUSINESS

The Company was incorporated in British Columbia, Canada, on December 11, 2015. As at December 31, 2017, the Company had no operating business On December 31, 2018, the Company acquired 100% of the issued and outstanding Class A common shares and Class B common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field. The Company's head office is located at 1980 – 1075 West Georgia Street, Vancouver, BC, Canada, V6E 3C9.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2017 AND SUBSEQUENTLY

On July 11, 2017, 1,000,000 common shares were issued by the Company at $0.05 per common share for aggregate gross proceeds of $50,000.

On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of $0.05 per share for aggregate amounts of $50,000.

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, the Company had working capital of $60,325. The Company's working capital is from the private placements completed by the Company on December 11, 2015, July 6, 2016 and July 11, 2017.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended December 31, 2017, the Company had incurred a net loss of $1,932 (2016 – $4,687) and had an accumulated deficit on December 31, 2017 of $6,619 (2016 – $4,687). The Company's financial success is dependent on management's ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

The Company's expected cash resources are sufficient to meet its short-term needs. Management estimates that the current cash position and future cash flows from new equity financings and/or related party loans will be sufficient for the Company to carry out its anticipated costs of operations through 2018. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives.

(All amounts expressed in CAD dollars, unless otherwise stated)

RESULTS OF OPERATIONS AND OVERALL PERFORMANCE

Operating expenses for the year ended December 31, 2017, totaled $1,932 (2016 – $4,687). Operating expenses for the year ended December 31, 2017 were comprised of bank charges of $73 (2016 - $102), legal fees of $Nil (2016 – $2,675) and transfer agent and regulatory fees of $1,859 (2016 – $1,910).

The Company's operations are in their infancy and no comparative or trend discussion is relevant.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's financial statements for the three most recently completed financial years. These financial data are prepared in accordance with IFRS.

	December 31, 2017 (audited)	**December 31, 2016 (audited)**	**From incorporation on December 11, 2015 to December 31, 2015**
	$	**$**	**$**
OPERATIONS			
Revenue	Nil	Nil	Nil
Net Loss	1,932	4,687	Nil
Other comprehensive income (loss)	Nil	Nil	Nil
Basic and diluted loss per share	0.00	0.01	Nil
BALANCE SHEET			
Working capital (deficiency)	60,325	12,257	6,000
Total assets	60,467	12,399	Nil
Total non-current liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

During the year ended December 31, 2017 the Company incurred a net loss of $1,932, which consisted of bank charges and transfer agent and regulator fees.

(All amounts expressed in CAD dollars, unless otherwise stated)

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Net loss	(568)	(518)	(423)	(423)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Net loss	(423)	(3,895)	(25)	(344)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Fourth Quarter - Three Months Ended December 31, 2017

During the quarter ended December 31, 2017, the Company reported a net loss of $568 (2017 - $423), which derived from bank charges and transfer agent and regulatory fees.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgment of complexity or where assumptions and estimates are significant to the financial statements are disclosed in Note 3 of the Company's financial statements for the year ended December 31, 2017.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or during the period of the revision and further periods if the review affects both current and future periods.

A detailed summary of all the Company's critical accounting estimates is included in Note 3 – Significant Accounting Policies to the December 31, 2017, financial statements.

CHANGES IN ACCOUNTING POLICIES

A detailed summary of all the Company's changes in accounting policies is included in Note 3 – Significant Accounting Policies to the December 31, 2017, financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables and accounts payable. The fair values of the Company's receivables and accounts payable approximate their carrying values, due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or common shares.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

(b) Price risk

The Company is not exposed to price risk as it has no instruments in publicly held securities.

(c) Foreign currency risk

The Company is not exposed to foreign exchange risk as at December 31, 2017 as all of its operations were in Canada.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

(All amounts expressed in CAD dollars, unless otherwise stated)

RELATED PARTY TRANSACTIONS

The Company had no related party transactions.

PROPOSED TRANSACTIONS

The Company had no proposed transactions, other than the acquisition of New Gen, as discussed in the Subsequent Events section of this MD&A.

OUTSTANDING SHARE DATA

Unlimited common shares without par value
Unlimited Class A common shares without par value – each Class A common share is convertible into 100 common shares

The following share capital data is current as of the date of this document:

	Balance
Common shares	11,525,961
Class A common shares	625,287
Common shares issued upon conversion of the Special Warrants	1,000,000

Type of Security	**Number**	**Exerc ise Price**	**Expiry Date**
Stock options	909,000	$1.00	Jan 4, 2029
Total	**909,000**		

Type of Security	**Number**	**Exercise Price**	**Expiry Date**
Warrants	2,500,000	$0.25	Dec 17, 2019
Special Warrants underlying warrants	500,000	$0.25	Dec 24, 2019
Warrants	2,000,000	$1.00	Dec 31, 2019
Total	**5,000,000**		

SUBSEQUENT EVENTS

On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of $0.05 per share for aggregate amounts of $50,000.

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

RISK AND UNCERTAINTIES

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK FACTORS

Market Risk for Securities

We are a reporting issuer company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for our common shares will be established and sustained. Upon a listing, the market price for our common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Conflicts of Interest Risk

Certain of our directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Key Personnel Risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

No Established Market for Shares Risk

There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations and the trading price of our Common Shares on the Exchange.

Dividend Risk

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that our common shares will be listed for trading on the Exchange. As such, external factors outside of our control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the cryptocurrency sector stocks may have a significant impact on the market price of our common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.

BACKGROUND

This Management's Discussion and Analysis ("MD&A") has been prepared by management as of January 10, 2019, and it presents an analysis of the financial position of Calyx Exploration Corporation (formerly Fabula Exploration Inc.) (the "Company" or "Calyx") for the period ended September 30, 2018. The following information should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, including the notes contained therein. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the nine months ended September 30, 2018, the Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

The Company was incorporated in British Columbia, Canada, on December 11, 2015. As at September 30, 2018, the Company had no operating business. On December 31, 2018, the Company acquired 100% of the issued and outstanding Class A common shares and Class B common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field. The Company's head office is located at 1980 – 1075 West Georgia Street, Vancouver, BC, Canada, V6E 3C9.

HIGHLIGHTS FOR THE PERIOD ENDED SEPTEMBER 30, 2018 AND SUBSEQUENTLY

On April 19, 2018, the Company repurchased 1,000,000 common shares at a price of $0.05 per share for aggregate amounts of $50,000.

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2018, the Company had working capital of $8,072. The Company's working capital is from the private placements completed by the Company on December 11, 2015 and July 6, 2016. (the private placement completed on July 11, 2017 was repurchased by the Company on April 19, 2018 and returned to treasury).

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the period ended September 30, 2018, the Company had incurred a net loss of $2,253 (2017 – $1,364) and as at September 30, 2018, had an accumulated deficit of $8,872 (2017 – $6,051). The Company's financial success is dependent on management's ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. These factors indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

(All amounts expressed in CAD dollars, unless otherwise stated)

The Company's expected cash resources are sufficient to meet its short-term needs. Management estimates that the current cash position and future cash flows from new equity financings and/or related party loans will be sufficient for the Company to carry out its anticipated costs of operations through 2019. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its business objectives.

RESULTS OF OPERATIONS AND OVERALL PERFORMANCE

Operating expenses for the nine-months ended September 30, 2018, totaled $2,253 (2017 – $1,364). Operating expenses for the nine-months ended September 30, 2018 were comprised of bank charges of $54 (2017 - $55), legal fees of $882 (2017 – $Nil) and transfer agent and regulatory fees of $1,317 (2017 – $1,309).

The Company's operations are in their infancy and no comparative or trend discussion is relevant.

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

	September 30, 2018	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**
	$	**$**	**$**	**$**
Net loss	(1,322)	(508)	(423)	(568)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	September 30, 2017	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**
	$	**$**	**$**	**$**
Net loss	(518)	(423)	(423)	(423)
Basic loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Three Months Ended September 30, 2018

During the quarter ended September 30, 2018, the Company incurred a net loss of $1,322 compared to $518 for the quarter ended September 30, 2017. The item making up the change in net loss for the three months ended September 30, 2018, as compared to the three months ended September 30, 2017 was the increase in operating expenses of $882 in legal fees, which was not required in 2017.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgment of complexity or where assumptions and estimates are significant to the financial statements are disclosed in Note 2 of the Company's financial statements for the period ended September 30, 2018.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or during the period of the revision and further periods if the review affects both current and future periods.

A detailed summary of all the Company's critical accounting estimates is included in Note 2 – Basis of Presentation and Accounting Policies to the September 30, 2018, financial statements.

CHANGES IN ACCOUNTING POLICIES

A detailed summary of all the Company's changes in accounting policies is included in Note 2 – Basis of Presentation and Accounting Policies to the September 30, 2018, financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables and accounts payable.

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities

Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly.

Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement.

The fair values of the Company's receivables and accounts payable approximate their carrying values due to their short-term natures. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected cash requirements by obtaining financing through the issuance of debt or common shares.

Market risk

(All amounts expressed in CAD dollars, unless otherwise stated)

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently exposed to interest rate risk.

b) Price risk

The Company is not exposed to price risk as it has no instruments in publicly held securities.

c) Foreign currency risk

The Company is not exposed to foreign exchange risk as at September 30, 2018, as all of its operations were in Canada.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions.

PROPOSED TRANSACTIONS

The Company had no proposed transactions, other than the acquisition of New Gen, as discussed in the Subsequent Events section of this MD&A.

OUTSTANDING SHARE DATA

Unlimited common shares without par value
Unlimited Class A common shares without par value – each Class A common share is convertible into 100 common shares

The following share capital data is current as of the date of this document:

	Balance
Common shares	11,525,961
Class A common shares	625,287
Common shares issued upon conversion of the Special Warrants	1,000,000

Type of Security	**Number**	**Exercise Price**	**Expiry Date**
Stock options	909,000	$1.00	Jan 4, 2029
Total	**909,000**		

(All amounts expressed in CAD dollars, unless otherwise stated)

Type of Security	Number	Exercise Price	Expiry Date
Warrants	2,500,000	$0.25	Dec 17, 2019
Special Warrants underlying warrants	500,000	$0.25	Dec 24, 2019
Warrants	2,000,000	$1.00	Dec 31, 2019
Total	**5,000,000**		

SUBSEQUENT EVENTS

On December 10, 2018, the Company completed its private placement of an aggregate of 1,000,000 common shares at a price of $0.05 per share for aggregate gross proceeds of $50,000.

On December 12, 2018, the Company approved the creation of an unlimited number of Class A Common Shares, which are convertible into 100 common shares of the Company.

On December 17, 2018, the Company completed its private placement of an aggregate of 2,500,000 units at a price of $0.05 per unit for aggregate gross proceeds of $125,000. Each unit consists of one (1) common share and one (1) share purchase warrant. Each whole warrant entitles the holder to purchase one (1) additional common share of the Company at a price of $0.25 per share for a period of one (1) years from the closing date of the private placement.

On December 24, 2018, the Company completed a non-brokered private placement of a gross proceeds of $250,000, which consist of 1,000,000 of Special Warrants (each a "Special Warrant") whereby each Special Warrant will automatically convert into one (1) unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each unit will consist of one (1) common share and one-half of one (½) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one (1) additional common share from the Company at an intended exercise price of $0.25 per share for a period of one (1) year.

On December 31, 2018, the Company acquired 100% of the issued and outstanding common shares and Class A common shares of New Gen Holdings Inc. ("New Gen"), a company located in Phoenix, Arizona, U.S.A for an aggregate of 7,395,461 common shares of the Company and 625,287 of Class A common shares of the Company. New Gen provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field.

On December 31, 2018, the Company changed its name to Calyx Growth Corporation.

On January 4, 2019, the Company issued 909,000 stock options to certain directors, officers, and employees, with an exercise price of $1.00, and an expiry date of January 4, 2029.

RISK AND UNCERTAINTIES

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK FACTORS

Market Risk for Securities

We are a reporting issuer company whose common shares are not listed for trading on a stock exchange. There can be no assurance that an active trading market for our common shares will be established and sustained. Upon a listing, the market price for our common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Conflicts of Interest Risk
Certain of our directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to us.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Key Personnel Risk
Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

No Established Market for Shares Risk
There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. You may lose your entire investment.

Global Economy Risk
The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. We will be dependent upon the capital markets to raise additional financing in the future, while we establish a client base for our product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, we are subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact our ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to us and our management. If uncertain market conditions persist, our ability to raise capital could be jeopardized, which could have an adverse impact on our operations and the trading price of our Common Shares on the Exchange.

Dividend Risk
We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain our earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that our common shares will be listed for trading on the Exchange. As such, external factors outside of our control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the cryptocurrency sector stocks may have a significant impact on the market price of our common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.

SCHEDULE "C"

NEW GEN FINANCIAL STATEMENTS

New Gen Holdings, Inc.

Consolidated Financial Statements

December 31, 2017 and 2016

(Expressed in U.S. Dollars)

New Gen Holdings, Inc.

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BUCKLEY DODDS LLP
Chartered Professional Accountants

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Vancouver, B.C. Canada V6E 4E6
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of New Gen Holdings, Inc.:

We have audited the accompanying consolidated financial statements of New Gen Holdings, Inc. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Gen Holdings, Inc. as at December 31, 2017 and 2016, and its consolidated financial performance and cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Vancouver, British Columbia
January _, 2019

Buckley Dodds LLP
Chartered Professional Accounts

NEW GEN HOLDINGS, INC.
Consolidated Statements of Financial Position
As at
(Expressed in U.S. Dollars)

		December 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash	**$**	**-**	$	156,561
Accounts receivable (Notes 4, 10)		**9,121,521**		4,837,294
Inventory (Note 5)		**279,591**		247,833
Due from shareholders (Note 10)		**6,607**		3,530
Other receivables (Note 6)		**110,449**		30,967
		9,518,168		5,276,185
Due from related parties (Note 10)		**853,402**		537,151
Property, plant and equipment (Note 7)		**3,469,427**		2,427,890
	$	**13,840,997**	$	8,241,226
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness	**$**	**174,241**	$	-
Payables and accrued liabilities (Notes 8, 10)		**563,526**		348,965
Notes payable – current portion (Notes 9, 10)		**198,250**		398,250
Income tax payable		**491,879**		142,989
		1,427,896		890,204
Deferred tax liabilities (Note 16)		**2,654,299**		1,474,655
Notes payable – noncurrent portion (Notes 9, 10)		**984,089**		1,208,886
		5,066,284		3,573,745
Shareholders' equity				
Share capital (Note 11)		**20**		20
Retained earnings		**8,774,693**		4,667,461
		8,774,713		4,667,481
	$	**13,840,997**	$	8,241,226

Nature of operations and going concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 15)

Approved on January _, 2019 on behalf of the Board of Directors:

________________________ Director

The accompanying notes are an integral part of these consolidated financial statements.

NEW GEN HOLDINGS, INC.
Consolidated Statements of Income and Comprehensive Income
For the Years ended December 31
(Expressed in U.S. Dollars)

	2017	2016
REVENUES		
Management fees	**$ 4,800,000**	$ 4,800,000
Professional services	**4,047,071**	3,446,080
Product sales	**4,574,684**	1,788,539
Equipment leasing	**913,775**	1,733,844
Property leasing	**513,200**	567,820
	14,848,730	12,336,283
COST OF SALES		
Cost of goods sold	**2,211,631**	1,587,555
Salaries, wages, and contractors (Note 10)	**3,843,524**	2,269,228
	(6,055,155)	(3,856,783)
	8,793,575	8,479,500
OPERATING EXPENSES		
Advertising and promotion	**437,008**	518,506
Amortization	**414,176**	193,732
Bank charges and interest	**84,792**	79,918
Insurance	**33,462**	18,257
Office and general	**104,317**	105,430
Professional and consulting fees (Note 10)	**723,002**	567,229
Rent, property taxes, and utilities	**321,135**	217,144
Repairs and maintenance	**253,523**	99,040
Research and development	**70,772**	688
Salaries, wages, and commissions (Note 10)	**335,220**	105,857
Travel, training, and meals and entertainment	**380,402**	190,356
	(3,157,809)	(2,096,157)
Net income before tax	**5,635,766**	6,383,343
Income tax expense (Note 16)	**(1,528,534)**	(1,617,644)
Net and comprehensive income for the year	**$ 4,107,232**	$ 4,765,699
Basic and diluted income per common share	**$ 2,054**	$ 2,383
Weighted average number of common shares outstanding	**2,000**	2,000

The accompanying notes are an integral part of these consolidated financial statements.

NEW GEN HOLDINGS, INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars)

	Share Capital						
	Number of shares		Amount		Retained Earnings (Deficit)		Total
Balance at December 31, 2015	2,000	$	20	$	(98,238)	$	(98,218)
Net income for the year	-		-		4,765,699		4,765,699
Balance at December 31, 2016	2,000		20		4,667,461		4,667,481
Net incomes for the year	-		-		4,107,232		4,107,232
Balance at December 31, 2017	2,000	$	20	$	8,774,693		8,774,713

The accompanying notes are an integral part of these consolidated financial statements.

NEW GEN HOLDINGS, INC.
Consolidated Statements of Cash Flows
For the Years ended December 31,
(Expressed in U.S. Dollars)

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year	**$**	**4,107,232**	$	4,765,699
Items not affecting cash:				
Amortization		**414,176**		193,732
Deferred tax liabilities		**1,179,644**		1,474,655
Non-cash working capital item changes:				
Accounts receivable		**(4,284,227)**		(4,951,428)
Inventory		**(31,758)**		(247,833)
Other receivables		**(79,482)**		(30,967)
Payables and accrued liabilities		**214,561**		247,126
Income tax payable		**348,890**		66,228
Net cash provided by operating activities		**1,869,036**		1,517,212
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		**(1,131,828)**		(1,398,883)
Net cash used in investing activities		**(1,131,828)**		(1,398,883)
CASH FLOWS FROM FINANCING ACTIVITIES				
Due from shareholders		**(3,077)**		145,619
Loans receivable		**(316,251)**		(512,151)
Notes payable		**(748,682)**		326,382
Net cash used in financing activities		**(1,068,010)**		(40,150)
Net change in cash during the year		**(330,802)**		78,179
Cash, beginning of the year		**156,561**		78,382
Cash (bank indebtedness), end of the year	**$**	**(174,241)**	$	156,561
Cash (paid) received for				
Interest	**$**	**105,475**	$	93,186
Taxes	**$**	**-**	$	76,761

During the year ended December 31, 2017, $323,885 (2016 - $356,898) in notes payable was used for the acquisition of property, plant and equipment.

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The consolidated financial statements represent the consolidated accounts of New Gen Holdings, Inc. and its wholly-owned subsidiaries: Step 1 Consulting, LLC(incorporated in Delaware), New Gen Admin Services, LLC, New Gen Agricultural Services, LLC, X-Tane, LLC, New Gen Real Estate Services, LLC and Hydroponics Solutions, LLC (all incorporated in Arizona) (collectively, the "Company"). The Company provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field. The head office and principal address of the Company is located at 777 E Missouri Ave, Suite 200, Phoenix, Arizona 85014.

These consolidated financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations, and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at December 31, 2017, the Company had working capital of $8,090,272 (December 31, 2016 - $4,385,981) and retained earnings of $8,774,693 (December 31, 2016 - $4,667,461). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

These financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The financial statements, unless otherwise specified, are presented in U.S. dollars, which is the functional currency of the Company.

2. BASIS OF PRESENTATION *(CONTINUED…)*

c) Basis of Consolidation

The consolidated financial statements include consolidated accounts of New Gen Holdings, Inc. and its wholly-owned subsidiaries Step 1 Consulting, LLC, New Gen Admin Services, LLC, New Gen Agricultural Services, LLC, X-Tane, LLC, New Gen Real Estate Services, LLC and Hydroponics Solutions, LLC. A wholly owned entity is an entity in which the Company has control, directly or indirectly. All intercompany transactions and balances have been eliminated on consolidation.

d) Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the years ended December 31, 2017 were approved and authorized for issue by the Board of Directors on January _, 2019.

e) Significant Accounting Judgements and Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported revenues and expenses during the reporting period.

<u>Critical Judgements</u>

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company has been determined to be the U.S. dollar.

<u>Key Sources of Estimation Uncertainty</u>

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

2. BASIS OF PRESENTATION *(CONTINUED…)*

e) Significant Accounting Judgements and Estimates *(continued…)*

Key Sources of Estimation Uncertainty *(continued…)*

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property and Equipment

Property and equipment is amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and bank indebtedness

Cash consists of cash held at major financial institutions and is subject to insignificant risk of changes in value. Bank indebtedness consists of checks written and not yet withdrawn in excess of cash held.

b) Inventory

Inventories are valued at the lower of cost and net realizable value, with cost determined based on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Inventories include the cost of materials purchased, as well as other costs required to bring the inventories to their present location and condition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment

Property, plant and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of the item of property and equipment consists of the purchase price, financing costs, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. An item of property, plant and equipment is no longer recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of net and comprehensive income. The cost of repairs and maintenance is expensed as incurred. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset		Rate
Land	No amortization	
Building	Straight line method	3%
Equipment and machinery	Straight line method	14-20%
Leasehold improvements	Straight line method	5 years (over the term of the lease)
Automobile	Straight line method	20%

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

d) Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a separate line item. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e) Earnings per Share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the period, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED…)*

f) Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available for sale, (4) financial assets held to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets and liabilities classified as available for sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held to maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method. The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	**Category**	**Measurement**
Cash and bank indebtedness	FVTPL	Fair value
Accounts Receivable	Loans and receivables	Amortized cost
Due from shareholders	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Payables	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **–** Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 **–** Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and bank indebtedness have been measured at fair value using Level 1 inputs.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED…)*

g) Revenue Recognition

The Company recognizes revenue when it has persuasive evidence of a contract, performance obligations have been identified and satisfied, payment terms have been identified, and it is probable that the Company will collect the consideration it is entitled to.

In addition to this general policy, the following are the specific revenue recognition policies for each major category of revenue:

Management fees:
The Company provides monthly management fees at a fixed rate to its customer. This revenue is recorded monthly, when billed.

Professional services:
Revenues derived from professional services consist of fees associated with staff provided by the Company to its customer. The Company bills its customer monthly, based on a markup of paid wages and salaries. This revenue is recorded when billed.

Product sales:
Product sales relates to the sale of low pressure tanks with liquid gas, as well as for materials and supplies purchased by the Company for the cultivation and dispensary facilities it provides to its customer. Revenue relating to the sale of the liquid gas is recognized when the tanks are shipped to the customer. Revenue from the materials and supplies used in cultivation and dispensary facilities are recognized when invoiced to the customer, based on the supplies purchased specifically for the cultivation and dispensary locations.

Equipment and property leasing:
Revenues derived from leasing are recognized when invoiced to the customer. This revenue consists of amounts charged to the customer for leased equipment used in the cultivation and dispensary facilities, as well as buildings and property leased to the customer.

h) Income Taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

3. **SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED…)***

i) Foreign currency translation

Foreign currency transactions are translated into U.S. dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into U.S. dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into U.S. dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of such financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into U.S. dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into U.S. dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

j) Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 2 – "Share-based Payments". This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The Company is in the process of determining the impact of the adoption of this standard on the financial statements, if any. Effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 9 "Financial Instruments". This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

New standard IFRS 15 "Revenue from Contracts with Customers". This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED…)*

j) Standards Issued but not yet Effective (continued…)

New standard IFRS 16 "Leases" This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration". This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The Company has considered the change and assessed that it will have no material impact on adoption. Effective for annual periods beginning on or after January 1, 2018.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACCOUNTS RECEIVABLES

	December 31, 2017		December 31, 2016	
Total receivables	$	23,494,520	$	19,210,293
Allowance		(14,372,999)		(14,372,999)
	$	9,121,521	$	4,837,294

5. INVENTORY

Inventory consists of various types of low pressure liquid gas held in X-Tane, LLC. There were no adjustments to inventory during the years ended December 31, 2017 and 2016. The amount of inventory recognized as an expense during the year ended December 31, 2017 was $315,255 (2016 - $47,677).

(Expressed in U.S. Dollars)

6. OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Short-term loans receivable – interest free	$ 76,247	$ 26,247
Short-term loans receivable – 20% interest	30,000	-
Employee advances	4,202	4,720
	$ 110,449	$ 30,967

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Leasehold improvements	Automobile	Total
Cost						
Balance at December 31, 2015	$ 104,521	$ 236,870	$ 177,973	$ 475,496	$ -	$ 994,860
Additions	114,913	303,371	723,870	613,627	-	1,755,781
Balance at December 31, 2016	219,434	540,241	901,843	1,089,123	-	2,750,641
Additions	121,345	534,720	329,195	406,568	63,885	1,455,713
Balance at December 31, 2017	340,779	1,074,961	1,231,038	1,495,691	63,885	4,206,354
Accumulated Amortization						
Balance at December 31, 2015	-	5,793	35,329	87,897	-	129,019
Amortization	-	11,593	82,761	99,378	-	193,732
Balance at December 31, 2016	-	17,386	118,090	187,275	-	322,751
Amortization	-	27,217	151,592	235,040	327	414,176
Balance at December 31, 2017	-	44,603	269,682	422,315	327	736,927
Net Book Value						
December 31, 2016	$ 219,434	$ 522,855	$ 783,753	$ 901,848	$ -	$ 2,427,890
December 31, 2017	$ 340,779	$ 1,030,358	$ 961,356	$ 1,073,376	$ 63,558	$ 3,469,427

(Expressed in U.S. Dollars)

8. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

		December 31, 2017		December 31, 2016
Trade payables	$	**163,165**	$	148,352
Credit card payable		**314,242**		112,337
Interest payable		**9,361**		87,987
Sales tax payable		**2,276**		289
Insurance payable		**9,482**		-
Accrued liabilities		**65,000**		-
	$	**563,526**	$	348,965

9. NOTES PAYABLE

Current notes payable are made up of the following:

		December 31, 2017		December 31, 2016
Loan from related parties (Note 10)	$	**16,000**	$	16,000
Loans from non-related parties at 12% interest per annum		**182,250**		182,250
Loan from non-related parties at 25% interest		**-**		200,000
	$	**198,250**	$	398,250

Non-current notes payable are made up of the following:

		December 31, 2017		December 31, 2016
Maturing on February 1, 2019 with an interest rate of 12% per annum.	$	**272,000**	$	272,000
Maturing on March 1, 2019 with an interest rate of 12% per annum.		**280,000**		-
Maturing on October 1, 2019 with an interest rate of 5% per annum.		**100,000**		100,000
Maturing in March 2020 with an interest rate of 7.6% per annum		**43,885**		-
Maturing on September 20, 2022 with an interest rate of 13% per annum		**11,427**		-
Maturing in 2024, with an interest rate of 13% per annum, from related parties. (Note 10).		**184,812**		621,054
Maturing in 2026, with an interest rate of 13% per annum, from related parties. (Note 10).		**91,965**		215,832
	$	**984,089**	$	1,208,886

(Expressed in U.S. Dollars)

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer.

Remuneration attributed to key management personnel for the years ended December 31, 2017 and 2016 is summarized as follows:

		December 31, 2017		**December 31, 2016**
Consulting fees – included in operating expenses	$	37,500	$	15,300
Salaries, wages and commissions – included in operating expenses		12,478		882
Salaries and wages– included in cost of sales		237,083		1,676
	$	287,061	$	17,858

Other related parties

Other related parties include close family members of the Company's CEO, sole shareholder and its sole director.

Remuneration attributed to other related parties for the years ended December 31, 2017 and 2016 is summarized as follows:

		December 31, 2017		**December 31, 2016**
Salaries and wages – included cost of sales	$	139,650	$	-
Salaries, wages and commissions – included in operating expenses		2,297		-
	$	141,947	$	-

(Expressed in U.S. Dollars)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with related parties:

Due from related parties:

		December 31, 2017		December 31, 2016
Non-interest bearing, due on December 31, 2021 from the CEO	**$**	**537,151**	$	537,151
Non-interest bearing, due on December 31, 2022 from the CEO		**316,251**		-
	$	**853,402**	$	537,151

Other amounts due to and from related parties as at December 31, 2017 and 2016 included the following:

- Included in accounts receivable as at December 31, 2017 is $3,267 (2016 - $Nil) owing from a company controlled by the CEO. This amount is non-interest bearing.
- The amount due from the sole shareholder of the Company as at December 31, 2017 is $6,607 (2016 - $3,530) and is non-interest bearing.
- Included in payables and accrued liabilities as at December 31, 2017 is $6,761 (2016 - $81,202) owing to the CEO, companies controlled by the CEO, and the sole director of the Company. The majority of this amount is made up of interest owing on notes payable.
- Included in short-term loans payable as at December 31, 2017 is $16,000 (2016 - $16,000) owing to a company controlled by the CEO of the Company. This amount bears interest of 13% per annum, and is due on demand. (Note 9).
- Included in the long-term loans payable as at December 31, 2017 is $276,667 (2016: $836,886) due to the sole director of the Company, and a company controlled by the CEO of the Company. These loans bear interest of 13% per annum, and are due between 2024 – 2026. (Note 9).

11. SHARE CAPITAL

The Company is authorized to issue the following shares:

- 2,000 Class "A" voting common shares with a par value of $0.01.

All of the issued and outstanding common shares are held by a company controlled by the CEO of the Company.

There were no capital transactions during the years ended December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the Company has no outstanding options or warrants.

Subsequent to year end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common shares with a par value of $0.01, and
- 100,000,000 Class B Common shares with a par value of $0.01.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, due from shareholder, other receivables, payables, and current portion of notes payable, approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes payable approximate their fair values as these liabilities bear interest at variable market rates. The Company's cash and bank indebtedness are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including: credit risk; liquidity risk; interest rate risk; price risk; and currency risk.

<u>Credit risk</u>

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at December 31, 2017 and 2016, the Company was dependent on one major customer from its consulting business segment (Note 15). The majority of the Company's accounts receivable are from this customer. The Company has taken an allowance for all receivables earned prior to 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at December 31, 2017, it is not exposed to significant credit risk from this customer, as the majority of the outstanding accounts receivables were received by the Company subsequent to year ended December 31, 2017. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(CONTINUED…)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 12. As at December 31, 2017, the Company accounts receivable of $9,121,521 to settle its bank indebtedness, accounts payable and short-term notes payable of $936,017. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in U.S. dollars. As at December 31, 2017, the Company does not have any financial assets denominated in other currencies.

14. COMMITMENTS AND CONTINGENCIES

The Company has a lease agreement for its leased premises, with the term of the lease ending on April 30, 2024.

The annual commitment under this lease for the next five years is as follows:

		Commitment
2018	$	157,316
2019	$	159,912
2020	$	164,176
2021	$	166,308
2022	$	166,308

(Expressed in U.S. Dollars)

15. SEGMENT INFORMATION

The Company operates in the Unites States, and has two major segments of operations, being its management and advisory services to non-for-profit entities in the medical marijuana field, and its sale of various types of low pressure liquid gas.

Segmented information over these two operating segments is as follows:

As at, and for the year ended December 31, 2017:

	Management and advisory services	Liquid gas sales	Total
Sales	$ 14,122,509	$ 726,221	$ 14,848,730
Cost of Sales	(5,739,900)	(315,255)	(6,055,155)
Operating expenses	(3,040,731)	(117,078)	(3,157,809)
Income tax expense	(1,528,534)	-	(1,528,534)
Net income	$ 3,813,344	$ 293,888	$ 4,107,232
Assets	$ 13,272,698	$ 568,299	$ 13,840,997
Liabilities	$ 5,042,324	$ 23,960	$ 5,066,284

As at, and for the year ended December 31, 2016:

	Management and advisory services	Liquid gas sales	Total
Sales	$ 12,289,901	$ 46,382	$ 12,336,283
Cost of Sales	(3,809,106)	(47,677)	(3,856,783)
Operating expenses	(2,027,689)	(68,468)	(2,096,157)
Income tax expense	(1,617,644)	-	(1,617,644)
Net income	$ 4,835,462	$ (69,763)	$ 4,765,699
Assets	$ 7,964,102	$ 277,124	$ 8,241,226
Liabilities	$ 3,573,456	$ 289	$ 3,573,745

(Expressed in U.S. Dollars)

16. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

		December 31, 2017		December 31, 2016
Net income for the year before taxes	**$**	**5,635,766**	$	6,383,343
Federal statutory tax rate		**34%**		34%
State statutory tax rate		**4.9%**		4.9%
Expected income tax expense at statutory rate	**$**	**2,098,421**	$	2,376,774
Permanent differences		**-**		(37,370)
Change in tax rates		**(569,887)**		(721,760)
Income tax expense	**$**	**1,528,534**	$	1,617,644
Income tax expense consists of:				
Current income tax expense		**348,890**		142,989
Deferred tax expense		**1,179,644**		1,474,655
	$	**1,528,534**	$	1,617,644

Significant components of the Company's future tax liabilities, after applying enacted corporate income tax rates, are as follows:

		December 31, 2017		December 31, 2016
Deferred tax liabilities	**$**	**2,654,299**	$	1,474,655

Tax attributes are subject to review and potential adjustment by taxation authorities.

17. SUBSEQUENT EVENTS

Subsequent to year end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common shares with a par value of $0.01, and
- 100,000,000 Class B Common shares with a par value of $0.01.

On December 21, 2018, the Company re-organized its share structure, by cancelling the 2,000 Class A Common shares outstanding, and issuing in their place 2,596,300 Class A Common Shares, and 625,287 Class B Common shares. Each Class B Common share is convertible into 100 Class A Common share.

17. SUBSEQUENT EVENTS (CONTINUED…)

The Company completed a private placement of 4,799,161 shares valued at CDN$1.00 per share for total proceeds of $3,551,370.

On December 31, 2018, the Company completed a share exchange with Calyx Growth Corporation (formerly Fabula Exploration Inc.) ("Calyx") whereby Calyx acquired 100% of the issued and outstanding Class A and Class B common shares of the Company for an aggregate of 7,395,461 common shares and 625,287 of Class A common shares of Calyx. This transaction is considered a Reverse Take Over, where the shareholders of the Company have control over the resulting entity

New Gen Holdings, Inc.

Condensed Consolidated Interim Financial Statements

September 30, 2018

(Expressed in U.S. Dollars)

New Gen Holdings, Inc.

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NEW GEN HOLDINGS, INC.
Condensed Consolidated Interim Statements of Financial Position
As at
(Expressed in U.S. Dollars)
(Unaudited)

		September 30, 2018		December 31, 2017
ASSETS				
Current assets				
Cash	**$**	**2,256,388**	$	-
Accounts receivable (Notes 4, 10)		**11,529,350**		9,121,521
Inventory (Note 5)		**191,451**		279,591
Due from shareholders (Note 10)		**204,806**		6,607
Other receivables (Note 6)		**238,108**		110,449
		14,420,103		9,518,168
Due from related parties (Note 10)		**2,176,183**		853,402
Property, plant and equipment (Note 7)		**4,133,569**		3,469,427
	$	**20,729,855**	$	13,840,997
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness	**$**	**-**	$	174,241
Payables and accrued liabilities (Notes 8, 10)		**1,012,412**		563,526
Notes payable – current portion (Notes 9, 10)		**1,100,250**		198,250
Income tax payable		**649,379**		491,879
		2,762,041		1,427,896
Deferred tax liabilities		**3,624,095**		2,654,299
Notes payable – non-current portion (Notes 9, 10)		**377,047**		984,089
		6,763,183		5,066,284
Shareholders' equity				
Share capital (Note 11)		**20**		20
Shares to be issued (Note 11)		**1,786,500**		-
Retained earnings		**12,180,152**		8,774,693
		13,966,672		8,774,713
	$	**20,729,855**	$	13,840,997

Nature of operations and going concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 16)

Approved on January _, 2019 on behalf of the Board of Directors:

_____________________________ Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEW GEN HOLDINGS, INC.
Condensed Consolidated Interim Statements of Income and Comprehensive Income
For the Three and Nine Months ended September 30
(Expressed in U.S. Dollars)
(Unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30,2017
REVENUES				
Management fees	**$ 1,200,000**	$ 1,200,000	**$ 3,600,000**	$ 3,600,000
Professional services	**1,434,223**	953,547	**5,073,240**	2,658,130
Product sales	**1,349,107**	943,073	**3,784,861**	2,359,717
Equipment leasing	**582,273**	259,258	**921,279**	662,706
Property leasing	**172,000**	125,200	**476,000**	422,400
	4,737,603	3,481,078	**13,855,380**	9,702,953
COST OF SALES				
Cost of goods sold	**595,166**	376,542	**2,523,415**	1,090,381
Salaries, wages, and contractors (Note 10)	**1,143,726**	753,037	**3,318,113**	2,060,796
	(1,738,892)	(1,129,579)	**(5,841,528)**	(3,151,177)
	2,998,711	2,351,499	**8,013,852**	6,551,776
OPERATING EXPENSES				
Advertising and promotion	**250,873**	63,239	**823,562**	348,852
Amortization	**128,663**	102,625	**384,383**	293,335
Bank charges and interest	**8,627**	26,227	**22,128**	82,452
Insurance	**12,572**	6,710	**37,618**	17,741
Office and general	**108,373**	23,184	**206,156**	210,582
Professional and consulting fees (Note 10)	**194,244**	268,535	**573,156**	1,048,164
Rent, property taxes, and utilities	**111,913**	79,272	**285,466**	220,572
Repairs and maintenance	**190,575**	138,930	**420,777**	255,091
Research and development	**10,109**	79,059	**102,391**	130,483
Salaries, wages, and commissions (Note 10)	**73,476**	65,694	**254,132**	110,939
Travel, training, and meals and entertainment	**125,375**	111,326	**371,328**	241,030
	(1,214,800)	(964,801)	**(3,481,097)**	(2,959,241)
Net income before tax	**1,783,911**	1,386,698	**4,532,755**	3,592,535
Income tax expense	**(443,629)**	(516,068)	**(1,127,296)**	(1,336,986)
Net and comprehensive income for the three months	**$ 1,340,282**	$ 870,630	**$ 3,405,459**	$ 2,255,549
Basic and diluted income per common share	**$ 670**	$ 435	**$ 1,703**	$ 1,128
Weighted average number of common shares outstanding	**2,000**	2,000	**2,000**	2,000

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEW GEN HOLDINGS, INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars)
(Unaudited)

	Share Capital				
	Number of shares	**Amount**	**Shares to be issued**	**Retained Earnings**	**Total**
Balance at December 31, 2016	**2,000**	**$ 20**	**$ -**	**$ 4,667,461**	**$ 4,667,481**
Net and comprehensive income for the period	-	-	-	2,255,549	2,255,549
Balance at September 30, 2017	**2,000**	**$ 20**	**$ -**	**$ 6,923,010**	**$ 6,923,030**
Balance at December 31, 2017	**2,000**	**$ 20**	**$ -**	**$ 8,774,693**	**$ 8,774,713**
Shares to be issued	-	-	1,786,500	-	1,786,500
Net and comprehensive income for the period	-	-	-	3,405,459	3,405,459
Balance at September 30, 2018	**2,000**	**$ 20**	**$ 1,786,500**	**$ 12,180,152**	**$ 13,966,672**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEW GEN HOLDINGS, INC.
Condensed Consolidated Interim Statements of Cash Flows
For the Nine Months ended September 30,
(Expressed in U.S. Dollars)
(Unaudited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the nine months	**$ 3,405,459**	$ 2,255,549
Items not affecting cash:		
Amortization	**384,383**	293,335
Deferred tax liabilities	**969,796**	1,031,818
Non-cash working capital item changes:		
Accounts receivable	**(2,407,829)**	(2,475,419)
Inventory	**88,141**	66,459
Other receivables	**(127,659)**	(1,291,356)
Payables and accrued liabilities	**449,071**	24,585
Income tax payable	**157,500**	305,168
Net cash provided by operating activities	**2,918,677**	210,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(1,048,525)**	(737,232)
Net cash used in investing activities	**(1,048,525)**	(737,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due from shareholders	**(198,200)**	(3,453)
Loans receivable	**(1,322,780)**	537,151
Notes payable	**294,958**	426,498
Stock subscription	**1,786,500**	-
Net cash provided by financing activities	**560,477**	960,196
Net change in cash during the nine months	**2,430,629**	433,103
Cash (bank indebtedness), beginning of the period	**(174,241)**	156,561
Cash, end of the period	**$ 2,256,388**	$ 589,665
Cash paid for		
Interest	**$ 63,210**	$ 100,319
Taxes	**$ -**	$ -

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The condensed consolidated interim financial statements represent the consolidated accounts of New Gen Holdings, Inc. and its wholly-owned subsidiaries: Step 1 Consulting, LLC (incorporated in Delaware), New Gen Admin Services, LLC, New Gen Agricultural Services, LLC, X-Tane, LLC, New Gen Real Estate Services, LLC and Hydroponics Solutions, LLC (all incorporated in Arizona) (collectively, the "Company"). The Company provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical marijuana field. The head office and principal address of the Company is located at 777 E Missouri Ave, Suite 200, Phoenix, Arizona 85014.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations, and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at September 30, 2018, the Company had working capital of $11,658,062 (December 31, 2017 - $8,090,272) and retained earnings of $12,180,152 (December 31, 2017 - $8,774,693). Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

These condensed consolidated interim financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements follow the same accounting policies and methods of applications as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2017 annual consolidated financial statements.

b) Basis of Preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The condensed consolidated interim financial statements, unless otherwise specified, are presented in U.S. dollars, which is the functional currency of the Company.

2. BASIS OF PRESENTATION *(CONTINUED…)*

c) Basis of Consolidation

The condensed consolidated interim financial statements include consolidated accounts of New Gen Holdings, Inc. and its wholly-owned subsidiaries Step 1 Consulting, LLC, New Gen Admin Services, LLC, New Gen Agricultural Services, LLC, X-Tane, LLC, New Gen Real Estate Services, LLC and Hydroponics Solutions, LLC. A wholly owned entity is an entity in which the Company has control, directly or indirectly. All intercompany transactions and balances have been eliminated on consolidation.

d) Approval of the Consolidated Financial Statements

The condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2018 were approved and authorized for issue by the Board of Directors on January _, 2019.

e) Significant Accounting Judgements and Estimates

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported revenues and expenses during the reporting period.

<u>Critical Judgements</u>

The preparation of these condensed consolidated interim financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company has been determined to be the U.S. dollar.

<u>Key Sources of Estimation Uncertainty</u>

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

2. BASIS OF PRESENTATION *(CONTINUED…)*

e) Significant Accounting Judgements and Estimates *(continued…)*

Key Sources of Estimation Uncertainty *(continued…)*

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property and Equipment

Property and equipment is amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements follow the same accounting policies and methods of applications as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's December 31, 2017 annual consolidated financial statements.

Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED…)*

Standards Issued but not yet Effective *(continued…)*

New standard IFRS 16 "Leases". This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet adopted this standard and is currently assessing the impact on its consolidated financial statements.

IFRIC 23, "Uncertainty Over Income Tax Treatments". This IFRIC was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company has not yet adapted this standard and is currently assessing the impact on its consolidated financial statements.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACCOUNTS RECEIVABLES

		September 30, 2018		December 31, 2017
Total receivables	**$**	**25,902,349**	$	23,494,520
Allowance		**(14,372,999)**		(14,372,999)
	$	**11,529,350**	$	9,121,521

5. INVENTORY

Inventory consists of various types of low-pressure liquid gas held in X-Tane, LLC. There were no adjustments to inventory during the nine months ended September 30, 2018 and 2017. The amount of inventory recognized as an expense during the nine months ended September 30, 2018 was $519,254 (September 30, 2017 - $181,374).

(Expressed in U.S. Dollars)

6. OTHER RECEIVABLES

		September 30, 2018		December 31, 2017
Short-term loans receivable – interest free	**$**	**-**	$	76,247
Short-term loans receivable – 20% interest		**-**		30,000
Vendor Deposit		**232,447**		-
Employee advances		**5,661**		4,202
	$	**238,108**	$	110,449

7. PROPERTY, PLANT AND EQUIPMENT

		Land		Building		Equipment and machinery		Leasehold improvements		Automobile		Construction in progress		Total
Cost														
Balance at December 31, 2016	$	219,434	$	540,241	$	901,843	$	1,089,123	$	-	$	-	$	2,750,641
Additions		121,345		534,720		329,195		406,568		63,885		-		1,455,713
Balance at December 31, 2017		340,779		1,074,961		1,231,038		1,495,691		63,885		-		4,206,354
Additions		-		101,083		204,693		-		17,900		724,850		1,048,526
Balance at September 30, 2018	$	340,779	$	1,176,044	$	1,435,731	$	1,495,691	$	81,785	$	724,850	$	5,254,880
Accumulated Amortization														
Balance at December 31, 2016	$	-	$	17,386	$	118,090	$	187,275	$	-	$	-	$	322,751
Amortization		-		27,217		151,592		235,040		327		-		414,176
Balance at December 31, 2017		-		44,603		269,682		422,315		327		-		736,927
Amortization				59,674		133,495		180,642		10,573		-		384,384
Balance at September 30, 2018	$	-	$	104,277	$	403,177	$	602,957	$	10,900	$	-	$	1,121,311
Net Book Value														
December 31, 2017	$	340,779	$	1,030,358	$	961,356	$	1,073,376	$	63,558	$	-	$	3,469,427
September 30, 2018	$	340,779	$	1,071,767	$	1,032,554	$	892,734	$	70,885	$	724,850	$	4,133,569

Construction in progress will begin to be amortized at the completion of construction, when the completed assets are put into use by the Company.

(Expressed in U.S. Dollars)

8. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

		September 30, 2018		December 31, 2017
Trade payables	**$**	**194,847**	**$**	163,165
Credit card payable		**343,333**		314,242
Interest payable		**9,361**		9,361
Sales tax payable		**3,837**		2,276
Insurance payable		**7,504**		9,482
Accrued liabilities		**453,530**		65,000
	$	**1,012,412**	**$**	563,526

9. NOTES PAYABLE

Current notes payable are made up of the following:

		September 30, 2018		December 31, 2017
Maturing on December 31, 2024 with an interest rate of 13% per annum, from related parties. Allowed to prepay before maturity date. (Note 10)	**$**	**16,000**	**$**	16,000
Maturing on October 1, 2018 with an interest rate of 12% per annum.		**182,250**		182,250
Maturing on January 5, 2019 with an interest rate of 15% per annum.		**350,000**		-
Maturing on February 1, 2019 with an interest rate of 12% per annum.		**272,000**		-
Maturing on March 1, 2019 with an interest rate of 12% per annum.		**280,000**		-
	$	**1,100,250**	**$**	198,250

Non-current notes payable are made up of the following:

		September 30, 2018		December 31, 2017
Maturing on February 1, 2019 with an interest rate of 12% per annum.	**$**	**-**	**$**	272,000
Maturing on March 1, 2019 with an interest rate of 12% per annum.		**-**		280,000
Maturing on October 1, 2019 with an interest rate of 5% per annum.		**-**		100,000
Maturing in December 2021 with an interest rate of 3.65% per annum		**36,136**		43,885
Maturing on September 20, 2022 with an interest rate of 13% per annum		**2,122**		11,427
Maturing in 2024, with an interest rate of 13% per annum, from related parties. (Note 10).		**247,079**		184,812
Maturing in 2026, with an interest rate of 13% per annum, from related parties. (Note 10).		**91,710**		91,965
	$	**377,047**	**$**	984,089

(Expressed in U.S. Dollars)

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer.

Remuneration attributed to key management personnel for the three and nine months ended September 30, 2018 and 2017 is summarized as follows:

	3 months		9 months	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Salaries, wages and commissions included in operating expenses	$ 7,361	$ 1,923	$ 15,586	$ 1,923
Salaries and wages included in cost of sales	139,851	36,538	296,126	36,538
	$ 147,211	$ 38,461	$ 311,711	$ 38,461

Other related parties

Other related parties include close family members of the Company's CEO, sole shareholder and its sole director.

Remuneration attributed to other related parties for the three and nine months ended September 30, 2018 and 2017 is summarized as follows:

	3 months ended		9 months ended	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Salaries and wages included cost of sales	$ 33,706	$ -	$ 54,117	$ -
Salaries, wages and commissions incl. in operating expenses	195	-	280	-
	$ 33,901	$ -	$ 54,397	$ -

(Expressed in U.S. Dollars)

10. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with related parties:

Due from related parties:

		September 30, 2018		December 31, 2017
Non-interest bearing, due on December 31, 2021 from the CEO	**$**	**537,151**	$	537,151
Non-interest bearing, due on December 31, 2022 from the CEO		**316,251**		316,251
Non-interest bearing, due on December 31, 2023 from the CEO		**1,322,781**		-
	$	**2,176,183**	$	853,402

Other amounts due to and from related parties as at September 30, 2018 and December 31, 2017 included the following:

- Included in accounts receivable as at September 30, 2018 is $3,267 (December 31, 2017 – $3,267) owing from a company controlled by the CEO. This amount is non-interest bearing.
- The amount due from the sole shareholder of the Company as at September 30, 2018 is $204,806 (December 31, 2017 - $6,607) and is non-interest bearing.
- Included in payables and accrued liabilities as at September 30, 2018 is $9,361 (December 31, 2017 - $6,761) owing to the CEO, companies controlled by the CEO, and the sole director of the Company. The majority of this amount is made up of interest owing on notes payable.
- Included in short-term loans payable as at September 30, 2018 is $16,000 (December 31, 2017 - $16,000) owing to companies controlled by the CEO of the Company. This amount bears interest of 13% per annum, and is due on demand. (Note 9).
- Included in the long-term loans payable as at September 30, 2018 is $338,789 (December 31, 2017: $276,777) due to the sole director of the Company, and a company controlled by the CEO of the Company. These loans bear interest of 13% per annum, and are due between 2024 – 2026. (Note 9).

11. SHARE CAPITAL

The Company is authorized to issue the following shares:

- 2,000 Class “A” voting common shares with a par value of $0.01.

Subsequent to the period end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common shares with a par value of $0.01, and
- 100,000,000 Class B Common shares with a par value of $0.01.

Subsequent to period end, the Company completed a private placement of 4,799,161 shares valued at CDN$1.00 per share for total value of $3,551,370. During the period ended September 30, 2018, the Company received $1,786,500 of these subscriptions in advance.

There were no capital transactions during the nine months ended September 30, 2017.

As at September 30, 2018 and 2017, the Company has no outstanding options or warrants.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, due from shareholder, other receivables, payables, and current portion of notes payable, approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes payable approximate their fair values as these liabilities bear interest at variable market rates. The Company's cash and bank indebtedness are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including: credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at September 30, 2018, the Company was dependent on one major customer from its consulting business segment (Note 15). The majority of the Company's accounts receivable are from this customer. The Company has taken an allowance for all receivables earned prior to 2015, as the Company is of the opinion that its customer did not have sufficient cash flow in those years to settle its obligations. The Company, however, is of the opinion that, as at September 30, 2018, it is not exposed to significant credit risk from this customer, as the majority of the outstanding accounts receivables were received by the Company subsequent to the nine months ended September 30, 2018. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(CONTINUED…)*

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 12. As at September 30, 2018, the Company has cash and receivables of $13,785,738 to settle its current liabilities of $2,762,041. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in U.S. dollars. As at September 30, 2018, the Company does not have any significant financial assets denominated in other currencies.

14. COMMITMENTS AND CONTINGENCIES

The Company has lease agreements for its leased premises, with the term of the leases ending on April 30, 2024. The annual commitment under these leases for the next five years is as follows:

		Commitment
2019	$	196,800
2020	$	205,944
2021	$	211,216
2022	$	213,616
2023	$	220,328

(Expressed in U.S. Dollars)

15. SEGMENT INFORMATION

The Company operates in the Unites States, and has two major segments of operations, being its management and advisory services to non-for-profit entities in the medical marijuana field, and its sale of various types of low pressure liquid gas.

Segmented information over these two operating segments is as follows:

As at, and for the nine months ended September 30, 2018:

	Management and advisory services	Liquid gas sales	Total
Sales	$ 13,160,944	$ 694,436	$ 13,855,380
Cost of Sales	(5,322,274)	(519,254)	(5,841,528)
Operating expenses	(3,398,033)	(83,064)	(3,481,097)
Income tax expense	(1,127,296)	-	(1,127,296)
Net income	$ 3,313,341	$ 92,118	$ 3,405,459
Assets	$ 20,187,079	$ 542,776	$ 20,729,855
Liabilities	$ 6,536,435	$ 226,748	$ 6,763,183

As at December 31, 2017:

	Management and advisory services	Liquid gas sales	Total
Assets	$ 13,272,698	$ 568,299	$ 13,840,997
Liabilities	$ 5,042,324	$ 23,960	$ 5,066,284

For the nine months ended September 30, 2017:

	Management and advisory services	Liquid gas sales	Total
Sales	$ 9,231,738	$ 471,215	$ 9,702,953
Cost of Sales	(2,972,604)	(178,573)	(3,151,177)
Operating expenses	(2,878,662)	(80,579)	(2,959,241)
Income tax expense	(1,336,986)	-	(1,336,986)
Net income	$ 2,043,486	$ 212,063	$ 2,255,549
Assets	$ 11,754,730	$ 518,142	$ 12,272,872
Liabilities	$ 4,985,758	$ 376,056	$ 5,361,814

16. SUBSEQUENT EVENTS

Subsequent to year end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common shares with a par value of $0.01, and
- 100,000,000 Class B Common shares with a par value of $0.01.

On December 21, 2018, the Company re-organized its share structure, by cancelling the 2,000 Class A Common shares outstanding, and issuing in their place 2,596,300 Class A Common Shares, and 625,287 Class B Common shares. Each Class B Common share is convertible into 100 Class A Common share.

On December 31, 2018, the Company completed a share exchange with Calyx Growth Corporation (formerly Fabula Exploration Inc.) (“Calyx”) whereby Calyx acquired 100% of the issued and outstanding Class A and Class B common shares of the Company for an aggregate of 7,395,461 common shares and 625,287 of Class A common shares of Calyx. This transaction is considered a Reverse Take Over, where the shareholders of the Company have control over the resulting entity.

SCHEDULE "D"

NEW GEN MD&A

New Gen Holdings Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017
Dated as of January 10, 2019
(All amounts expressed in U.S. dollars, unless otherwise stated)

BACKGROUND

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of New Gen Holdings Inc. ("New Gen") should be read in conjunction with the accompanying audited financial statements for the twelve months ended December 31, 2017 of New Gen and accompanying notes thereto for New Gen and its operating subsidiaries: Step 1 Consulting LLC; Hydroponic Solutions LLC; New Gen Real Estate Services LLC; New Gen Administration Services LLC; and New Gen Agricultural Services LLC, as well as its two non-operating subsidiaries, Vapen LLC and X-Tane LLC. The audited consolidated financial statements comprise the financial statements of New Gen and its subsidiaries (collectively referred to as the "Company"). New Gen is a service company that provides services to Herbal Wellness Center Inc. ("HWC"), a licensed dispensary for medical marijuana products and extracts pursuant to licenses granted by the State of Arizona.

REPORTING CURRENCY

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are presented in United States (U.S.) dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include, but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including, but not limited to, information concerning intentions, plans and future actions of the Company.
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In connection with the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions about the Company's ability to expand operations; profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

MATERIAL EVENTS THAT OCCURRED DURING THE FISCAL YEAR ENDED DECEMBER 31, 2017

1. The Company's gross revenues increased from $12,336,283 to $14,848,730, an increase of $2,512,447 over the preceding year. The growth in sales resulted from additional services required to support the retail and wholesale transactions completed by HWC.

2. During the fiscal year ended December 31, 2017, the Company's Phase II cultivation operation became fully operational, resulting in a doubling of potential cultivation yields.

3. In July 2017, New Gen's management made a strategic commitment to expanding the senior management team and specifically hired a multi-faceted, seasoned Chief Financial Officer, with years of experience in operations and public markets. With this hire, a strategy was embraced to ensure that all tactical and operational decisions would be supported by individuals with years of experience in other industries and who could translate that experience to New Gen as its revenues continue to grow and as processes become more important for future financial success.

3. During 2017, the Company facilitated a significant expansion of its wholesale business. New Gen provided staffing, marketing expertise, and connectivity to independent retail dispensaries located in Arizona.

4. As a result of increased sales at HWC, staffing levels were increased to facilitate increased production consistent with the Phase II cultivation expansion.

5. The Company increased its expenditures on research and development related to new product offerings, new ingestion methods, and other new branding plans.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

New Gen was incorporated in the State of Nevada on July 8, 2014. On December 28, 2016, New Gen was continued into the State of Wyoming. In 2014, New Gen incorporated seven wholly-owned subsidiaries, of which five are currently operational, for the purpose of providing exclusive operating services to Herbal Wellness Centers Inc. (HWC), a non-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona, thereby facilitating its business plan. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

New Gen and its five (5) operating subsidiaries currently operate as an agricultural technology, supply, staffing, property management and brand licensing services company, providing its services on an exclusive basis to HWC. HWC is the holder of dispensary, cultivation and extraction, Arizona-State-approved licenses, to cultivate, extract, and sell medical marijuana and related products to holders of medical marijuana cards.

New Gen's business plan involves six key components: (i) expansion and acquisition funding; (ii) new product creation and licensing; (iii) research and development of connoisseur strains; (iv) engineering and design of extraction equipment; (v) branding in target markets; and (vi) international service agreements. New Gen's stated mission is to build a global and scalable business model that supports cannabis production on a worldwide basis.

New Gen's services are provided individually by each of the five operating subsidiaries pursuant to ten-year renewable management contracts, providing among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services. The Company provides real property and equipment for lease and enhanced ancillary services to the cannabis industry in the State of Arizona and other potential geographical areas.

New Gen leases a 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 for a term beginning on September 1, 2018 and terminating on April 30, 2024, and owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road (collectively, the "New Gen Facilities"). These buildings are used for cultivation, product drying, product processing, product packaging, and infusion into edible products for HWC. The New Gen Facilities provide for the use of hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);
- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

The portion of the New Gen Facilities that is owned by New Gen (specifically, the 2,000-square-foot retail building at 4126 W. Indian School Road and the 636-square-foot building at 4140 W. Indian School Road) is leased to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling about 636 square feet is used for manager and outreach offices.

HWC retails marijuana flower and extraction products, its VAPEN™ Clear Distillate, Shatter, wax and infused edibles. HWC sells its products to over 3,000 patients with medical marijuana cards per week. HWC also distributes VAPEN Clear products at wholesale prices to the majority of other key dispensaries located in Arizona.

New Gen invoices HWC on a monthly basis for the services provided to HWC related to cultivation, employee manpower, supplies, building and equipment leases, and technical and agricultural expertise.

HWC utilizes growing and extraction techniques available in the industry. The indoor flower growing facility deploys equipment with proven techniques developed and refined since 2013. HWC harvests production on a weekly basis. The majority of all THC extraction techniques have been developed internally with New Gen-designed and fabricated equipment. HWC extracts shatter from its private reserve trim and crude THC from mostly purchased trim, producing VAPEN Clear distillate from the crude.

Diversified product lines include quality flower, high quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC, syrups, VAPEN Kitchens edibles, and other VAPEN-branded merchandise.

New Gen also produces, retails, and wholesales a wide range of VAPEN-branded CBD products including VAPEN CBD cartridges for pen and palm atomizers, VAPEN CBD Crystalline, VAPEN CBD Inhalers, and CBD lotions and balms.

New Gen intends to license its VAPEN brand to cannabis producers worldwide and to utilize it in marketing efforts with industry-orientated affiliates.

Production operations are both scalable and replicable. All operating procedures are standardized on a department by department basis. Indoor growing operations have been designed for efficiency of use through prior years' experience. New Gen has vetted and assessed both domestic and foreign vendors for supplies required in growing and packaging.

The Company's mission is to generate multiple revenues streams from enabling licensed cannabis operators to take advantage of their licenses. Cultivation of cannabis crops to enhance both crop quality and yields is accomplished through internally developed expertise and the use of clean technology and tools. Extraction techniques with technologies and packaging and manufacturing for retail and wholesale distribution will continue to comprise the services offered by New Gen. Also, New Gen may license brands that it develops to various license holders worldwide.

New Gen is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly-owned subsidiaries, also provides long-term cannabis advisory and management services and trained staff to manage the facilities.

The New Gen Facilities provide the technology and the infrastructure to comply with Arizona State and municipal cannabis laws in Phoenix, Arizona. New Gen also provides supply services for HWC, a producer and production license holder, and derives income streams from HWC for the cultivation, growing, processing, packaging, and distribution of cannabis within Arizona. New Gen intends to provide similar services to other producer and production license holders.

For the year ended December 31, 2017, the consolidated, audited financial statements recorded $14,848,730 in gross revenues from management services and equipment and property leasing to HWC. Gross margin on this revenue was $8,793,575 or 59.2% of revenues for the year then ended. Operating expenses totaled $3,157,809 and net income before providing for taxes was $5,635,766 and after the provision was $4,107,232, or $2,054 per share outstanding.

New Gen commenced business by supplying cultivation and extraction services to HWC and subsequently developing and managing HWC's sales and marketing activities. At the date of this MD&A, New Gen continues to provide these services to HWC on an exclusive basis. Since incorporation, New Gen has re-invested capital into the business to support its growth and accordingly no outside equity capital has been sought or secured**.** New Gen does not cultivate or extract cannabis but rather provides services to HWC who holds the state licenses to do so.

New Gen generates revenue from five (5) exclusive management services agreements with HWC, providing land and buildings (including leasehold improvements on leased premises), cultivation space, extraction services, and space for kitchen equipment, a laboratory, and testing equipment and facilities.

New Gen's five operating subsidiaries and their respective business undertakings are as follows:

a) Step 1 Consulting LLC provides ongoing management services to HWC related to the operation of a dispensary. Step 1 Consulting LLC is a Delaware company and ensures that HWC maintains compliance with HWC's Arizona State licenses to dispense and sell cannabis products.

b) Hydroponic Solutions LLC provides equipment leasing and supply purchasing and logistic services to HWC.

c) New Gen Real Estate Services LLC owns and leases buildings and land that it in turn leases to HWC for use as a physical plant enabling HWC's cultivation, extraction, and dispensary retail business.

d) New Gen Admin Services LLC provides general administration services to HWC, including but not limited to, employee leasing services to HWC.

e) New Gen Agricultural Services LLC provides cultivation management services to HWC to optimize growing conditions and facility management using internally developed expertise and methodologies.

All five companies have separate management services agreements with HWC to engage in the services provided by each subsidiary.

Herbal Wellness Center, Inc. (HWC) - The Dispensary

HWC operates its dispensary from New Gen-leased premises located at 4126 W Indian School Road, Phoenix, Arizona. The retail operations consist of a 2,000-square-foot dispensary and one adjacent building totaling about 636 square feet which is used for marketing and managers' offices. HWC sells its products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other dispensaries located throughout the State of Arizona.

HWC's mission is to deliver the finest marijuana products including premium strains of flower, wax, shatter, edibles, and oil. HWC contracts with New Gen Agricultural Services LLC to provide advice related to techniques to produce the highest quality product. HWC also contracts with New Gen Admin Services LLC to staff the cultivation, extraction, and dispensary operations with its employees. The dispensary employees are trained to have extensive product knowledge, allowing the dispensary to provide individualized recommendations that most appropriately fit a patient's needs.

HWC is independent from New Gen and operates pursuant to Arizona law as a non-profit corporation. Each of New Gen's five operating subsidiaries provides services to HWC in the course of enabling HWC to conduct its business.

HWC has established brand recognition throughout the Arizona market and its wholesale business is sold under the brand name Vapen Clear. New Gen continues to support this growth with the creation of packaging and distribution services.

HWC Licenses:

HWC is the holder of the following licenses issued by the State of Arizona:

a) Medical Marijuana Dispensary Registration Certificate Number 00000086DCKR00375578, which became effective August 8, 2018 and expires on August 7, 2019. There is no reason to presume that the license will not be re-issued on its expiration. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations. The certificate is not an approval to operate.

b) Approval to Operate: Pursuant to the Approval to Operate, HWC is approved to cultivate medical marijuana at an offsite location in Arizona in strict compliance with the requirements of the State Medical Marijuana Act, which governs the acquisition, possession, manufacturing, delivery, transfer, transportation, supplying, selling, distributing or dispensing of medical marijuana. The dispensary site license was issued on August 8, 2018 and expires on August 7, 2019. The cultivation site license was approved on the same date and expires on the same date. There is no reason to believe that these licenses will not be renewed for further one- year terms. The State of Arizona issues these licenses for one-year terms only.

c) Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense Marijuana Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 14-060.

HWC's products consist of a connoisseur-grade cannabis product line including quality flower; high quality shatter and wax; VAPEN Clear cartridges for pen, palm and pod style atomizers; VAPEN Clear applicator syringes; VAPEN Clear inhalers; THC syrups; VAPEN Kitchens edibles; and VAPEN-branded merchandise.

Each of these products is produced pursuant to the services contracts between HWC and New Gen's five operating subsidiaries.

New Gen Business Strategy

New Gen will continue to approach its business opportunities in a five-step process that has proven to work consistently since operations began in 2014.

a) Analyze Markets By State: New Gen first assesses the legal, regulatory, and political environment of its targeted states. Arizona represented an initial opportunity by virtue of the regulatory structure and the licensing procedures that enabled it to operate as a service company to HWC, the license holder.

b) Prioritize Addressable Markets: Profitable revenue generation is predicated upon a clear understanding of cannabis ingestion trends by state and any impact of regulatory changes that may occur.

c) Maintain Business Development Strategies: New Gen maintains a philosophy consistent with its mandate as a service provider to support all cultivation and extraction activities and to provide infrastructure, as well as management and advisory services, to license holders.

d) Deliver New Gen Standard Operating Procedures: To license and implement New Gen's SOPs in all third-party relationships.

e) Optimization of Operating Results: New Gen will continue to maximize return on invested capital by utilizing its core competencies to provide value and minimize the need for external capital.

Competitive Conditions:

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal on a Federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that New Gen can continue to expand its cannabis-related activities by providing tailored, state-law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets.

Competitor Comparison

Competitor	Description of Business	Operations Location
Cannex Capital Holdings Inc.	Delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	California; Washington, U.S.A.
iAnthus Capital Holdings, Inc.	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries.	Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.
MPX Bioceutical Corporation	Multinational diversified cannabis company focused on the medical and adult use cannabis markets. The company has a growing presence in the U.S. with imminent plans for ten dispensaries and four production facilities in four states. It also has a production facility under construction in Canada as well as a pending license application to Health Canada.	Arizona; Nevada; Massachusetts; Maryland, U.S.A.
CannaRoyalty Corp.	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A. Canada
Liberty Health Sciences Inc.	Acquire and operate U.S. – based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to our shareholders.	Florida, U.S.A.
1933 Industries	Owns and controls cannabis and hemp-based assets in Las Vegas Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.
Golden Leaf Holdings Ltd.	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon. With a product portfolio built around recognized brands, the Company strives to provide cannabis users with superior value and experience.	Oregon, U.S.A.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2017

SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from the Company's financial statements.

		December 31, 2017
Total Revenue	$	14,848,730
Total Expenses	$	10,741,498
Net Income	$	4,107,232
Total assets	$	13,840,997
Total liabilities	$	5,066,284
Net Income per share (basic and diluted)	$	2,054

SELECTED QUARTERLY INFORMATION

The following table summarizes the results of operations for the eight most recent quarters.

	Three months ended			
	March 31, 2017	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**
Total Revenue	$3,011,639	$3,210,237	$3,481,078	$5,145,776
Expenses	$2,520,565	$2,523,726	$2,414,870	$3,282,337
Net Income	$491,074	$686,511	$1,066,208	$1,863,439
Net Income per share and diluted loss per share	$246	$343	$533	$932

	Three months ended			
	March 31, 2016	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**
Total Revenue	$3,522,212	$2,879,286	$2,980,584	$2,954,201
Expenses	$1,890,322	$1,633,486	$1,993,203	$2,053,573
Net Income	$1,631,890	$1,245,800	$987,380	$900,629
Net Income per share and diluted loss per share	$816	$623	$494	$450

Financial Position as of December 31, 2017

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as of December 31, 2017.

Current Assets

As of December 31, 2017, the Company's current assets were as follows: cash balance of $nil; accounts receivable of $9,121,521; inventory of $279,591; amounts due from shareholders of $6,607; and other accounts receivable of $110,449. As of December 31, 2017, the Company had total current assets of $9,518,168.

Non-current Assets

As of December 31, 2017, the Company's non-current assets were $4,322,829.

Current Liabilities

As of December 31, 2017, the Company's current liabilities were $1,427,896.

As of December 31, 2017, the Company had bank indebtedness of $174,241, accounts payable and accrued liabilities of $563,526, current portion of notes payable of $198,250, and income taxes payable of $491,879.

As of December 31, 2017, the Company had a deferred tax liability of $2,654,299 and a long-term portion of notes payable of $984,089.

Shareholders' Equity

As of December 31, 2017, the Company had shareholders' equity of $8,774,713.

Working Capital Position

As of December 31, 2017, the Company's working capital position was $8,090,272, compared to $4,385,981 for the preceding year, an increase of 84%.

Financial Results for the Twelve Months Ended December 31, 2017

The following discussion of the Company's results of operations is based on its consolidated financial statements for the year then ended.

Revenue

For the twelve months ended December 31, 2017, the Company's revenues were $14,848,730, compared to $12,336,283 for the comparative reporting period, an increase of 20.4%.

Operating Costs

Operating for the twelve months ended December 31, 2017, the Company's total operating costs, including income tax expense, were $9,212,964, which includes $3,157,809 in general overhead expenses.

Expenses (General Overhead)

General Overhead Expenses: For the year ended December 31, 2017, the Company's total general overhead expenses were $3,157,809. Accounting for these costs were the following items:

Advertising and Promotion**:** For the year ended December 31, 2017, the Company's advertising and promotion costs totaled $437,008 a decrease of $81,498 or 15.7% due to a reduced external expenditure on promotion as the Company was able to rely more upon internal staffing to facilitate advertising and promotion on behalf of HWC.

Amortization Costs: For the year ended December 31, 2017, the Company's amortization costs totaled $414,176 compared to $193,732 for the preceding year, an increase of $220,444 or 113.8% resulting from amortization costs charged against the Phase II equipment brought onto production in the fiscal period.

Bank Charges: For the year ended December 31, 2017, the Company's bank charges totaled $84,792, an increase of $4,874 or 6%.

***Insurance**:* For the year ended December 31, 2017, the Company's insurance costs were $33,462 as compared to $18,257 for the preceding year, an increase $15,205 or 83%. The increase is related to the costs associated with insuring the plant and equipment in the Phase II operation plus that of the original cultivation facility.

***Office and General Expense**:* For the year ended December 31, 2017, the Company's office costs were $104,317 as compared to $105,430 for the preceding year, a slight decrease of $1,113. The decrease is not considered material.

***Professional Fees**:* For the year ended December 31, 2017, professional fees were $723,002, as compared to $567,229 for the preceding year, an increase of $155,773 or 28%. The increase is due to the legal costs associated with the completion of the Phase II operational facility.

Rent and Property Taxes: For the year ended December 31, 2017, rent and property taxes were $321,135 as compared to $217,144 in the preceding year, an increase of $103,991 or 48%. The increase is the result of increases in rent charges associated with the Phase II building.

Repairs and Maintenance: For the year ended December 31, 2017, repairs and maintenance costs were $253,523 as compared to $99,040 in the preceding year, an increase of $154,483 or 156%. The increase is associated with charges to the account associated with the Phase II installation.

Salaries and Wages: For the years ended December 31, 2017, salaries and wages were $335,220 as compared to $105,857 an increase of $229,363 or 217%. The increase is the result of hiring the CFO and other executive management as referred to herein.

Travel and Promotion: For the years ended December 31, 2017, travel and promotion costs were $380,402, as compared to $190,356 for the preceding fiscal period, an increase of $190,046 or 100%. The increase resulted from the Company spending additional time and money promoting HWC to the market on its behalf, which is reflected in the sales growth in 2017.

CASH USED IN OPERATING ACTIVITIES

For the twelve months ended December 31, 2017, cash flows provided from operating activities amounted to $1,869,036. Cash flows resulted from a reported net income after taxes of $4,107,232.

CASH USED IN INVESTING ACTIVITIES

For the twelve months ended December 31, 2017, cash flows used for investing activities amounted to $1,131,828.

CASH USED IN FINANCING ACTIVITIES

For the twelve months ended December 31, 2017, cash flows used to retire indebtedness amounted to $1,068,010.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, the Company had working capital of $8,090,272. This working capital was sufficient to fund operations and working capital requirements for the twelve months ending December 31, 2018.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and President and Chief Financial Officer.

Remuneration attributed to key management personnel for the years ended December 31, 2017 and 2016 is summarized as follows:

		December 31, 2017		**December 31, 2016**
Consulting fees – included in operating expenses	$	37,500	$	15,300
Salaries, wages and commissions – included in operating expenses		12,478		882
Salaries and wages– included in cost of sales		237,083		1,676
	$	287,061	$	17,858

Other related parties

Other related parties include close family members of the Company's CEO, sole shareholder, and sole director.

Remuneration attributed to other related parties for the years ended December 31, 2017 and 2016 is summarized as follows:

		December 31, 2017		**December 31, 2016**
Salaries and wages – included cost of sales	$	139,650	$	-
Salaries, wages and commissions – included in operating expenses		2,297		-
	$	141,947	$	-

Balances with related parties:

Due from related parties:

		December 31, 2017		December 31, 2016
Non-interest bearing, due on December 31, 2021 from the CEO	**$**	**537,151**	$	537,151
Non-interest bearing, due on December 31, 2022 from the CEO		**316,251**		-
	$	**853,402**	$	537,151

Other amounts due to and from related parties as at December 31, 2017 and 2016 included the following:

- Included in accounts receivable as at December 31, 2017 is $3,267 (2016 - $Nil) owing from a company controlled by Jason T. Nguyen, the CEO and sole director of New Gen. This amount is non-interest bearing.
- The amount due from Jason T. Nguyen, the sole shareholder of the Company as at December 31, 2017, is $6,607 (2016 - $3,530) and is non-interest bearing.
- Included in payables and accrued liabilities as at December 31, 2017 is $6,761 (2016 - $81,202) owing to Jason T. Nguyen, the CEO and sole director of the Company, and companies controlled by Mr. Nguyen. The majority of this amount is made up of interest owing on notes payable.
- Included in short-term loans payable as at December 31, 2017 is $16,000 (2016 - $16,000) owing to a company controlled by Jason T. Nguyen, the CEO and a sole director of the Company. This amount bears interest of 13% per annum and is due on demand. (Note 9).
- Included in the long-term loans payable as at December 31, 2017 is $276,667 (2016: $836,886) due to Jason T. Nguyen, the sole director and CEO of the Company, and a company controlled by Mr. Nguyen. These loans bear interest of 13% per annum and are due between 2024 – 2026.

Share Capital:

As at September 30, 2018, New Gen was authorized to issue the following shares:
- 2,000 Class "A" voting common shares with a par value of $0.01.

Subsequent to the period end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common Shares with a par value of $0.01, and
- 100,000,000 Class B Common Shares with a par value of $0.01.

The following is a summary of the Company's share capital:

	As of December 31, 2017		As of the date of this MD&A
Number of Class A Common shares	**2,000**	**$**	**7,395,461**
Number of Class B Common shares	**-**		625,827

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company has prepared the accompanying audited annual financial statements using accounting policies consistent with IFRS. Significant accounting policies are described in Note 2 of the Company's annual financial statements.

The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property and Equipment

Property and equipment is amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments: held to maturity, loans and receivables, fair value through profit or loss, available-for-sale, fair value through profit or loss liabilities or other liabilities. Fair value through profit or loss assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period. Held to maturity assets, loans and receivable, and other liabilities are subsequently measured at amortized cost using the effective interest rate method. Available for sale assets are subsequently measured at fair value with the change in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price in active markets and whose fair value cannot be reliably measured, which are measured at cost.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2017 as follows:

Fair Value Measurements

	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Bank indebtedness	$ 174,241	$ -	$ -
Accounts receivable	$ -	$ 9,121,521	$ -
Due from shareholders	$ -	$ 6,607	$ -
Other receivables	$ -	$ 110,449	$ -
Due from related parties	$ -	$ 853,402	$ -
Accounts payable	$ -	$ 498,526	$ -
Notes payable	$ -	$ 1,182,339	$ -

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

The principal financial instruments used by the Company, from which financial instrument risk arises are includes amounts receivable, due from related parties, accounts payable and accrued liabilities, and notes payable.

New Gen's financial instruments are exposed to certain financial risks, which include the following:

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, and foreign currency risk. Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. Cash in banks is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company does believe it has significant credit risk with respect to customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In the opinion of management, there is no significant liquidity risk associated with the Company's business.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

SUBSEQUENT EVENTS

1. Subsequent to December 31, 2017, on November 20, 2018, the Company changed its authorized share capital to the following:

    - 100,000,000 Class A Common Shares with a par value of $0.01, and
    - 100,000,000 Class B Common Shares with a par value of $0.01.

2. On December 21, 2018, the Company amended its Articles and by-laws to include drag along rights and to provide for uncertificated shares.

3. On December 21, 2018, the Company re-organized its share structure by cancelling the 2,000 common shares issued and outstanding since incorporation, in exchange for 2,596,300 Class A Common Shares and 625,287 Class B Common Shares to its shareholders. Each Class B Common Share is convertible into 100 Class A Common Shares.

4. The Company completed a private placement of 4,799,161 Class A Common Shares valued at CDN$1.00 per share for total proceeds of $3,551,370.

5. On December 13, 2018, the Company entered into a letter of intent with Calyx Growth Corporation (formerly Fabula Exploration Inc.) ("Calyx"), which agreement was superseded and replaced in its entirety on December 21, 2018, when the Company entered into the Share Exchange Agreement (as amended by Amendment No. 1 dated December 27, 2018) with Calyx to exchange all of the issued and outstanding shares of the Company for issuance of 7,395,461 Common Shares and 625,287 Class A Shares of Calyx. Such share exchange was concluded on December 31, 2018. As a result of the share exchange, the Company became a wholly-owned subsidiary of Calyx. This transaction was accounted for as a reverse takeover transaction, where the shareholders of the Company have control over the resulting entity.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK AND UNCERTAINTIES

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("CSA Notice 51-352"), below is a discussionof the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Legal and Regulatory Matters

United States Federal Overview

In the United States, thirty-one (31) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law. Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses. However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community". While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime", it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Arizona Overview:

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. There are 130 licenses in the State which cover all categories of production and sale of cannabis and cannabis related products. In 2010, Arizona became the 14th state to legalize medicinal cannabis for adults over 21 under Proposition 205: the Arizona Medical Marijuana Act (AMMA). Arizona is one of the 31 states to have some form of medical marijuana law in place. The AMMA is regularly used as an example for other states as an effective way to regulate a legal cannabis industry. In Arizona, the dispensaries operate as non-profit entities and engage with management companies to provide real estate rental, administrative, general management and advisory services, financing and logistics to medical marijuana businesses (the dispensaries) licensed under the provisions of the Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1 (the "AMMA") and to provide material support. These management companies exert considerable influence and control over not-for-profit dispensaries. It is illegal in Arizona to possess marijuana in the absence of holding a medical marijuana card. Holders are entitled to purchase not more than 2.5 grams of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales. New Gen and its subsidiaries are in compliance with Arizona's medical marijuana regulatory requirements and programs where applicable.

Regulatory Risks

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

The Company expects to derive most of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company is expected to remain focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Currently, the Company is engaged in the branding and procurement for companies that manufacture and distribute cannabis in the medical and adult-use cannabis marketplace. As at December 31, 2017, the Company's assets and revenues are directly attributable to the medical marijuana use in the State of Arizona.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those states where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold license, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Heightened Scrutiny

For the reasons set forth above, the Company's activities in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Other Regulatory Risks

The activities and products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Cannabis Industries are Highly Competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Operating Risk and Insurance Coverage

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the business and manage operations, and on its ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as for officers and directors, can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a client base for its product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and, if applicable, the trading price of its Common Shares on any stock exchange.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Securities and Dilution

There is no assurance that sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

Future Capital Requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.

New Gen Holdings Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
Dated as of January 10, 2019
(All amounts expressed in USD dollars, unless otherwise stated)

BACKGROUND

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of New Gen Holdings Inc. should be read in conjunction with the accompanying condensed consolidated interim financial statements for the nine months ended September 30, 2018 of New Gen and accompanying notes thereto for New Gen and its operating subsidiaries: Step 1 Consulting LLC; Hydroponic Solutions LLC; New Gen Real Estate Services LLC; New Gen Administration Services LLC; and New Gen Agricultural Services LLC, as well as its two non-operating subsidiaries, Vapen LLC and X-Tane LLC. The condensed consolidated interim financial statements comprise the financial statements of New Gen and its subsidiaries (collectively referred to as "New Gen", or the "Company"). New Gen is a service company that provides services to Herbal Wellness Center Inc. ("HWC"), a licensed dispensary for medical marijuana products and extracts pursuant to licenses granted by the State of Arizona.

REPORTING CURRENCY

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are presented in United States (U.S.) dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including but not limited to information concerning intentions, plans and future actions of the Company.

In connection with the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions about the Company's ability to expand operations; profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

MATERIAL EVENTS THAT OCCURRED DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2018

1. During the nine months ended September 30, 2018, the Company completed construction of its Phase III cultivation facility that will enable an approximate 30% increase in production yields of the Company's connoisseur quality flower. In addition, the added space has enabled the Company to further reconfigure the work flow within the production operation including, but not limited to, a new inventory curing station, expansion of flower cultivation, increased sizing of its extract operations, and improvement in sizing for packaging and managing Vapen Kitchen operations.

2. The Company has, during the past nine months, embarked upon a capital expansion program designed to enable service agreement business development and acquisitive growth, including identifying multiple opportunities within Arizona and outside of Arizona. The Company intends to secure the capital necessary to accomplish these goals and to seek a listing of its common shares on a recognized Canadian stock exchange.

3. The Company has identified opportunities within Arizona, and outside of Arizona, to utilize its Standard Operating Procedures (SOPs) to manage operations in these locations for other growers.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

New Gen Holdings Inc. ("New Gen") was incorporated in the State of Nevada on July 8, 2014. On December 28, 2016, New Gen was continued into the State of Wyoming. In 2014, New Gen incorporated seven wholly-owned subsidiaries for the purpose of providing exclusive operating services to Herbal Wellness Centers Inc. ("HWC"), a non-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

New Gen and its five (5) operating subsidiaries, currently operate as an agricultural technology, supply, staffing, property management, and brand licensing services company, providing its services on an exclusive basis to HWC. HWC is the holder of dispensary, cultivation, and extraction, Arizona-State-approved licenses, to cultivate, extract, and sell medical marijuana and related products to holders of medical marijuana cards.

New Gen's business plan involves six key components: (i) expansion and acquisition funding; (ii) new product creation and licensing; (iii) research and development of connoisseur strains; (iv) engineering and design of extraction equipment; (v) branding in target markets; and (vi) international service agreements. New Gen's stated mission is to build a global and scalable business model that supports cannabis production on a worldwide basis.

New Gen's services are provided individually by each of the five operating subsidiaries pursuant to ten-year renewable management contracts, providing among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services. The Company provides real property and equipment for lease and enhanced ancillary services to the cannabis industry in the State of Arizona and other potential geographical areas.

New Gen leases a 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 for a term beginning on September 1, 2018 and terminating on April 30, 2024, and owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road (collectively, the "New Gen Facilities"). These buildings are used for cultivation, product drying, product processing, product packaging, and infusion into edible products for HWC. The New Gen Facilities provide for the use of hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

- Precision agriculture techniques (sensors, data collection, and networked monitoring);
- Hydroponics (clone, veg, and flower rooms with nutrient regiment);
- Nutrient feeding automation (nutrients programmed doses during flower stage);

- Water (purification and temperature control effect quality);
- Electrical (cost efficient and alarmed for in-door grow lighting);
- Automation (monitoring the environment for optimal growing conditions and inventory control); and
- Bio controls (maintain facility through proprietary methods).

The portion of the New Gen Facilities that is owned by New Gen (specifically, the 2,000-square-foot retail building at 4126 W. Indian School Road and the 636-square-foot building at 4140 W. Indian School Road) is leased to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling about 636 square feet is used for manager and outreach offices.

HWC retails marijuana flower and extraction products, its VAPEN™ Clear Distillate, Shatter, wax and infused edibles. HWC sells its products to over 3,000 patients with medical marijuana cards per week. HWC also distributes VAPEN Clear products at wholesale prices to the majority of other key dispensaries located in Arizona.

New Gen invoices HWC on a monthly basis for the services provided to HWC related to cultivation, employee manpower, supplies, building and equipment leases, and technical and agricultural expertise.

HWC utilizes growing and extraction techniques available in the industry. The indoor flower growing facility deploys equipment with proven techniques developed and refined since 2013. HWC harvests production on a weekly basis. The majority of all THC extraction techniques have been developed internally with New Gen-designed and fabricated equipment. HWC extracts shatter from its private reserve trim and crude THC from mostly purchased trim, producing VAPEN Clear distillate from the crude.

Diversified product lines include quality flower, high quality shatter, and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC, syrups, VAPEN Kitchens edibles, and VAPEN branded merchandise.

New Gen also produces, retails, and wholesales a wide range of VAPEN-branded CBD products including VAPEN CBD cartridges for pen and palm atomizers, VAPEN CBD Crystalline, VAPEN CBD Inhalers, and CBD lotions and balms.

New Gen intends to license its VAPEN brand to cannabis producers worldwide and to utilize it in marketing efforts with industry-orientated affiliates.

Production operations are both scalable and replicable. All operating procedures are standardized on a department by department basis. Indoor growing operations have been designed for efficiency of use through prior years' experience. New Gen has vetted and assessed both domestic and foreign vendors for supplies required in growing and packaging.

New Gen's mission is to generate multiple revenues streams from enabling licensed cannabis operators to take advantage of their licenses. Cultivation of cannabis to enhance both crop quality and yields is accomplished internally through internally developed expertise and the use of clean technology and tools. Extraction techniques with technologies and packaging and manufacturing for retail and wholesale distribution will continue to comprise the services offered by New Gen. Also, New Gen may license brands that it develops to various license holders worldwide

New Gen is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. New Gen, through its wholly-owned subsidiaries, also provides long-term cannabis advisory and management services and trained staff to manage the facilities.

The New Gen Facilities provides the technology and the infrastructure to comply with Arizona State and municipal cannabis laws in Phoenix, Arizona. New Gen also provides supply services for HWC, a producer and production license holder, and derives income streams from HWC for the cultivation, growing, processing, packaging, and distribution of cannabis within Arizona. New Gen intends to provide similar services to other producer and production license holders.

For the nine months ended September 30, 2018, the unaudited condensed consolidated interim financial statements recorded $13,855,380 in gross revenues from management services and equipment and property leasing to HWC. Gross margin on this revenue was $8,013,852, or 57.8% of revenues for the nine months then ended. Operating expenses totaled $3,481,097 and net income before providing for taxes was $4,532,755 and after the provision was $3,405,459, or $1,703 per share outstanding.

New Gen commenced business by supplying cultivation and extraction services to HWC and subsequently developing and managing HWC's sales and marketing activities. At the date of this MD&A, New Gen continues to provide these services to HWC on an exclusive basis. Since incorporation, New Gen has re-invested capital into the business to support its growth and accordingly no outside equity capital has been sought or secured**.** New Gen does not cultivate or extract cannabis but rather provides services to HWC who holds the state licenses to do so.

New Gen generates revenue from five (5) exclusive management services agreements with HWC, providing land and buildings (including leasehold improvements on leased premises), cultivation space, extraction services, and space for kitchen equipment, a laboratory, and testing equipment and facilities.

New Gen's five operating subsidiaries and their respective business undertakings are as follows:

a) Step 1 Consulting LLC provides ongoing management services to HWC related to the operation of a dispensary. Step 1 Consulting LLC is a Delaware company and ensures that HWC maintains compliance with HWC's Arizona State licenses to dispense and sell cannabis products.

b) Hydroponic Solutions LLC provides equipment leasing and supply purchasing and logistic services to HWC.

c) New Gen Real Estate Services LLC owns and leases buildings and land that it in turn leases to HWC for use as a physical plant enabling HWC's cultivation, extraction, and dispensary retail business.

d) New Gen Admin Services LLC provides general administration services to HWC, including but not limited to, employee leasing services to HWC.

e) New Gen Agricultural Services LLC provides cultivation management services to HWC to optimize growing conditions and facility management using internally developed expertise and methodologies.

All five companies have separate management services agreements with HWC to engage in the services provided by each subsidiary.

Herbal Wellness Center, Inc. (HWC) - The Dispensary

HWC operates its dispensary from New Gen-leased premises located at 4126 W Indian School Road, Phoenix, Arizona. The retail operations consist of a 2,000-square-foot dispensary and one adjacent building totaling about 636 square feet which is used for marketing and managers' offices. HWC sells its products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other dispensaries located throughout the State of Arizona.

HWC's mission is to deliver the finest marijuana products including premium strains of flower, wax, shatter, edibles, and oil. HWC contracts with New Gen Agricultural Services LLC to provide advice related to techniques to produce quality product. HWC also contracts with New Gen Admin Services LLC to staff the cultivation, extraction, and dispensary operations with its employees. The dispensary employees are trained to have extensive product knowledge, allowing the dispensary to provide individualized recommendations that most appropriately fit a patient's needs.

HWC is independent from New Gen and operates pursuant to Arizona law as a non-profit corporation. Each of New Gen's five subsidiaries provides services to HWC in the course of enabling HWC to conduct its business.

HWC has established brand recognition throughout the Arizona market and its wholesale business is sold under the brand name Vapen Clear. New Gen continues to support this growth with the creation of packaging and distribution services.

HWC Licenses:

HWC is the holder of the following licenses issued by the State of Arizona:

a) Medical Marijuana Dispensary Registration Certificate Number 00000086DCKR00375578, which became effective August 8, 2018 and expires on August 7, 2019. There is no reason to presume that the license will not be re-issued on its expiration. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations. The certificate is not an approval to operate.

b) Approval to Operate: Pursuant to the Approval to Operate, HWC is approved to cultivate medical marijuana at an offsite location in Arizona in strict compliance with the requirements of the State Medical Marijuana Act, which governs the acquisition, possession, manufacturing, delivery, transfer, transportation, supplying, selling, distributing or dispensing of medical marijuana. The dispensary site license was issued on August 8, 2018 and expires on August 7, 2019. The cultivation site license was approved on the same date and expires on the same date. There is no reason to believe that these licenses will not be renewed for further one-year terms. The State of Arizona issues these licenses for one-year terms only.

c) Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense Marijuana-Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 14-060.

HWC's products consist of a connoisseur-grade cannabis product line including quality flower; high quality shatter and wax; VAPEN Clear cartridges for pen, palm and pod style atomizers; VAPEN Clear applicator syringes; VAPEN Clear inhalers; THC syrups; VAPEN Kitchens edibles; and VAPEN-branded merchandise.

Each of these products are produced pursuant to the services contracts between HWC and New Gen's five operating subsidiaries.

New Gen Business Strategy:

New Gen will continue to approach its business opportunities in a five-step process that has proven to work consistently since operations began in 2014.

a) Analyze Markets by State: New Gen first assesses the legal, regulatory, and political environment of its targeted states. Arizona represented an initial opportunity by virtue of the regulatory structure and the licensing procedures that enabled it to operate as a service company to HWC, the license holder.

b) Prioritize Addressable Markets: Profitable revenue generation is predicated upon a clear understanding of cannabis ingestion trends by state and any impact of regulatory changes that may occur.

c) Maintain Accretive M&A Strategies: New Gen maintains a philosophy consistent with its mandate as a service provider to support all cultivation and extraction activities and to provide infrastructure, as well as management and advisory services, to license holders.

d) Deliver New Gen Standard Operating Procedures: To license and implement New Gen's SOPs in all third party relationships.

e) Optimization of Operating Results: New Gen will continue to maximize return on invested capital by utilizing its core competencies to provide value and minimize the need for external capital.

Competitive Conditions:

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal on a Federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that New Gen can continue to expand its cannabis-related activities by providing tailored, state law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets.

Competitor Comparison

Competitor	Description of Business	Operations Location
Cannex Capital Holdings Inc.	Delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	California; Washington, U.S.A.
iAnthus Capital Holdings, Inc.	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries.	Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.
MPX Bioceutical Corporation	Multinational diversified cannabis company focused on the medical and adult use cannabis markets. The company has a growing presence in the U.S. with imminent plans for ten dispensaries and four production facilities in four states. It also has a production facility under construction in Canada as well as a pending license application to Health Canada.	Arizona; Nevada; Massachusetts; Maryland, U.S.A.
CannaRoyalty Corp.	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A. Canada
Liberty Health Sciences Inc.	Acquire and operate U.S. – based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to our shareholders.	Florida, U.S.A.
1933 Industries	Owns and controls cannabis and hemp-based assets in Las Vegas Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.
Golden Leaf Holdings Ltd.	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon. With a product portfolio built around recognized brands, the Company strives to provide cannabis users with superior value and experience.	Oregon, U.S.A.

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

SELECTED QUARTERLY INFORMATION

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from the Company's financial statements. These sums are reported in U.S. dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

		September. 30, 2018
Total Revenue	$	13,855,380
Expenses	$	10,449,921
Net Income	$	3,405,459
Total assets	$	20,729,855
Total liabilities	$	6,763,183
Net Income per share (basic and diluted)	$	1,703

SELECTED QUARTERLY INFORMATION

The following table summarizes the results of operations for the eight most recent quarters.

	Three months ended			
	December 31, 2017	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**
Total Revenue	$5,145,776	$4,426,908	$4,690,870	$4,737,602
Expenses	$3,282,337	$3,350,287	$3,720,311	$3,397,323
Net Income	$1,863,439	$1,076,621	$988,559	$1,340,279
Net Income per share and diluted loss per share	$932	$538	$494	$670

	Three months ended			
	December 31, 2016	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**
Total Revenue	$2,954,201	$3,011,639	$3,210,237	$3,481,078
Expenses	$2,053,573	$2,520,565	$2,523,726	$2,414,870
Net Income	$900,629	$491,074	$686,511	$1,066,208
Net Income per share and diluted loss per share	$450	$246	$343	$533

Financial Position as of September 30, 2018

Current Assets

As of September 30, 2018, New Gen's current assets were as follows: cash balance of $2,256,388; accounts receivable of $11,529,350; amounts due from shareholder of $204,806; inventory of $191,451; and other accounts receivable of $238,108. As of September 30, 2018, New Gen had total current assets of $14,420,103.

Non-current Assets

As of September 30, 2018, New Gen's non-current assets were $6,309,752.

Current Liabilities

As of September 30, 2018, New Gen's current liabilities were $2,762,041.

As of September 30, 2018, New Gen had accounts payable and accrued liabilities of $1,012,412, current portion of notes payable of $1,100,250, and income taxes payable of $649,379.

As of September 30, 2018, New Gen had a deferred tax liability of $3,624,095 and a long-term portion of notes payable of $377,047.

Shareholders' Equity

As of September 30, 2018, New Gen had shareholders' equity of $13,966,672.

Working Capital Position

As of September 30, 2018, New Gen's working capital position was $11,658,062.

Financial Results for the Nine Months Ended September 30, 2018

Revenue

For the nine months ended September 30, 2018, New Gen's revenues were $13,855,380.

Operating Costs

Total operating expenses, including cost of sales for the nine months ended September 30, 2018, were $9,322625, which includes $3,481,097 in general overhead expenses.

Expenses (General Overhead)

General Overhead Expenses: For the nine months ended September 30, 2018, New Gen's total general overhead expenses were $3,481,097. Accounting for these costs were the following;

Advertising and Promotion: For the nine months ended September 30, 2018, New Gen's advertising and promotion costs totaled $823,562 compared to $348,852 for the comparative period ending September 30, 2017. The increase of $474,710 is the result of the growth experienced during the nine months ended September 30, 2018 and a greater emphasis on the part of New Gen to establish brand recognition.

Amortization Costs: For the nine months ended September 30, 2018, New Gen's amortization costs totaled $384,383 compared to $293,335 for the comparative period ending September 30, 2017, an increase of $91,048, resulting from additional charges for depreciation associated with equipment purchases during the period.

Bank Charges: For the nine months ended September 30, 2018, New Gen's bank charges totaled $22,128 compared to $82,452 for the nine months ended September 30, 2017, a decrease of $60,324, resulting from the retirement of certain indebtedness.

Insurance**:** For the nine months ended September 30, 2018, New Gen's insurance costs were $37,618, compared to $17,741 in the comparative period, an increase of $19,877, resulting from increased insurance premiums attributable to the expansion of Phase III.

Office and General Expense: For the nine months ended September 30, 2018, New Gen's office costs were $206,156 compared to $210,582 for the comparative period, a slight decrease of $4,426.

Professional Fees: For the nine months ended September 30, 2018, professional fees were $573,156 compared to $1,048,164 for the comparative period, a decrease of $475,008, resulting from reduced legal fees in the current period, which fees were incurred in the comparative period related to the Phase III expansion.

Rent and Property Taxes: For the nine months ended September 30, 2018, rent and property taxes were $285,466 compared to $220,572 for the comparative period, an increase of $64,894 due to increased occupancy costs related to the Phase III expansion.

Research and Development: For the nine months ended September 30, 2018, research and development expenditures totaled $102,391 compared to $130,483 for the comparative period, a decrease of $28,092 related to focusing on bringing various edible R & D projects to market.

Repairs and Maintenance: For the nine months ended September 30, 2018, repairs and maintenance costs were $420,777 compared to $255,091 for the period ending September 30, 2017, an increase of $165,686 resulting from equipment upgrades associated with Phase III.

Salaries and Wages: For the nine months ended September 30, 2018, salaries and wages were $254,132 compared to $110,939 for the comparative period, resulting from the hiring of additional senior management, including the Company's CFO.

Travel and Promotion: For the nine months ended September 30, 2018, travel and promotion costs were $371,328 compared to $241,030 for the comparative period, an increase of $130,298 related to additional out of state training travel and business development opportunities in other states.

CASH USED IN OPERATING ACTIVITIES

For the nine months ended September 30, 2018, cash flows provided from operating activities amounted to $2,918,677. Cash flows resulted from a reported net income after taxes of $3,405,459, when added to non-cash charges to the income statement totaling $1,354,179, less non-cash reductions in working capital totaling $1,840,961.

CASH USED IN INVESTING ACTIVITIES

For the nine months ended September 30, 2018, New Gen invested $1,048,525 in new equipment and Phase III construction, therefore reducing the cash position by that amount.

CASH USED IN FINANCING ACTIVITIES

For the nine months ended September 30, 2018, net cash flow from financing activities amounted to $560,477 related to subscription for a private placement.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2018, New Gen had working capital of $11,658,062.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and President and Chief Financial Officer.

Remuneration attributed to key management personnel for the three and nine months ended September 30, 2018 and 2017 is summarized as follows:

	3 months				9 months			
		September 30, 2018		**September 30, 2017**		**September 30, 2018**		**September 30, 2017**
Salaries, wages and commissions included in operating expenses	$	7,361	$	1,923	$	15,586	$	1,923
Salaries and wages included in cost of sales		139,851		36,538		296,126		36,538
	$	147,211	$	38,461	$	311,711	$	38,461

Other related parties

Other related parties include close family members of the Company's CEO, sole shareholder, and sole director.

Remuneration attributed to other related parties for the three and nine months ended September 30, 2018 and 2017 is summarized as follows:

	3 months ended				9 months ended			
		September 30, 2018		**September 30, 2017**		**September 30, 2018**		**September 30, 2017**
Salaries and wages included cost of sales	$	33,706	$	-	$	54,117	$	-
Salaries, wages and commissions included in operating expenses		195		-		280		-
	$	33,901	$	-	$	54,397	$	-

Balances with related parties:

Due from related parties:

		September 30, 2018		December 31, 2017
Non-interest bearing, due on December 31, 2021 from the CEO	**$**	**537,151**	$	537,151
Non-interest bearing, due on December 31, 2022 from the CEO		**316,251**		316,251
Non-interest bearing, due on December 31, 2023 from the CEO		**1,322,781**		-
	$	**2,176,183**	$	853,402

Other amounts due to and from related parties as at September 30, 2018 and December 31, 2017 included the following:

- Included in accounts receivable as at September 30, 2018 is $3,267 (December 31, 2017 – $3,267) owing from a company controlled by Jason Nguyen, the CEO and sole director of New Gen. This amount is non-interest bearing.
- The amount due from Jason T. Nguyen, the sole shareholder of New Gen as at September 30, 2018, is $204,806 (December 31, 2017 - $6,607) and is non-interest bearing.
- Included in payables and accrued liabilities as at September 30, 2018 is $9,361 (December 31, 2017 - $6,761) owing to Jason T. Nguyen, the CEO and sole director of New Gen, and companies controlled by Mr. Nguyen. The majority of this amount is made up of interest owing on notes payable.

- Included in short-term loans payable as at September 30, 2018 is $16,000 (December 31, 2017 - $16,000) owing to companies controlled by Jason T. Nguyen, the CEO and a sole director of New Gen. This amount bears interest of 13% per annum and is due on demand. (Note 9).
- Included in the long-term loans payable as at September 30, 2018 is $338,789 (December 31, 2017: $276,777) due to Jason T. Nguyen, the sole director and CEO of New Gen, and a company controlled by Mr. Nguyen. These loans bear interest of 13% per annum and are due between 2024 – 2026.

SHARE CAPITAL

As at September 30, 2018, New Gen was authorized to issue the following shares:

- 2,000 Class "A" voting common shares with a par value of $0.01.

Subsequent to the period end, on November 20, 2018, the Company changed its authorized number of shares to the following:

- 100,000,000 Class A Common Shares with a par value of $0.01, and
- 100,000,000 Class B Common Shares with a par value of $0.01.

On December 21, 2018, the Company amended its by-laws and filed Articles of Amendment to include a drag-along provision and to provide for uncertificated shares.

Subsequent to period end, on December 27, 2018, the Company completed a private placement of 4,799,161 Class A Common Shares valued at CDN$1.00 per share for total value of $3,551,370. During the period ended September 30, 2018, the Company received $1,786,500 of these subscriptions in advance.

There were no capital transactions during the nine months ended September 30, 2017.

As at September 30, 2018 and 2017, the Company has no outstanding options or warrants.

The following is a summary of the Company's share capital:

	As of September 30, 2018		**As of the date of this MD&A**
Number of Class A Common shares	**2,000**	**$**	**7,395,461**
Number of Class B Common shares	**-**		625,827

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The condensed consolidated interim financial statements follow the same accounting policies and methods of applications as the most recent annual consolidated financial statements of the Company.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property and Equipment

Property and equipment is amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instruments: held to maturity, loans and receivables, fair value through profit or loss, available-for-sale, fair value through profit or loss liabilities or other liabilities. Fair value through profit or loss assets and liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period. Held to maturity assets, loans and receivable, and other liabilities are subsequently measured at amortized cost using the effective interest rate method. Available for sale assets are subsequently measured at fair value with the change in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price in active markets and whose fair value cannot be reliably measured, which are measured at cost.

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2018, as follows:

Fair Value Measurements

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	$ 2,256,388	$ -	$ -
Accounts receivable	$ -	$ 11,529,350	$ -
Due from shareholders	$ -	$ 204,806	$ -
Other receivables	$ -	$ 238,108	$ -
Due from related parties	$ -	$ 2,176,183	$ -
Accounts payable	$ -	$ 558,882	$ -
Notes payable	$ -	$ 1,477,297	$ -

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

The principal financial instruments used by the Company, from which financial instrument risk arises are includes amounts receivable, due from related parties, accounts payable and accrued liabilities, and notes payable.

New Gen's financial instruments are exposed to certain financial risks, which include the following:

Financial risk

New Gen's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, and foreign currency risk. Risk management is carried out by New Gen's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. New Gen's credit risk is primarily attributable to cash, and receivables. Cash in banks is held with reputable United States financial institutions, from which management believes the risk of loss is remote. New Gen feels there is minimal risk of non-collection of receivables, as the majority of receivables are form one customer, who had paid a significant portion of its outstanding balance subsequent to September 30, 2018.

Liquidity risk

Liquidity risk is the risk that New Gen will not be able to meet its financial obligations as they fall due. In the opinion of management, there is no significant liquidity risk associated with New Gen's business.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

SUBSEQUENT EVENTS

1. Subsequent to year end, on November 20, 2018, the Company changed its authorized share capital to the following:

   - 100,000,000 Class A Common Shares with a par value of $0.01, and
   - 100,000,000 Class B Common Shares with a par value of $0.01.

2. On December 21, 2018, the Company amended its Articles and by-laws to include drag along rights and to provide for uncertificated shares.

3. On December 21, 2018, the Company re-organized its share structure by cancelling the 2,000 common shares issued and outstanding since incorporation, in exchange for 2,596,300 Class A Common Shares and 625,287 Class B Common Shares to its shareholders. Each Class B Common Share is convertible into 100 Class A Common Shares.

4. The Company completed a private placement of 4,799,161 Class A Common Shares valued at CDN$1.00 per share for total proceeds of $3,551,370.

5. On December 13, 2018, the Company entered into a letter of intent with Calyx Growth Corporation (formerly Fabula Exploration Inc.) ("Calyx"), which agreement was superseded and replaced in its entirety on December 21, 2018, when the Company entered into the Share Exchange Agreement (as amended by Amendment No. 1 dated December 27, 2018) with Calyx to exchange all of the issued and outstanding shares of the Company for issuance of 7,395,461 Common Shares and 625,287 Class A Shares of Calyx. Such share exchange was concluded on December 31, 2018. As a result of the share exchange, the Company became a wholly-owned subsidiary of Calyx. This transaction was accounted for as a reverse takeover transaction, where the shareholders of the Company have control over the resulting entity Upon completion of the share exchange transaction on December 31, 2018, New Gen's shareholders (including, but not limited to, Jason T. Nguyen and Robert J. Brilon, two current directors of the Company) were issued 7,395,461 Common Shares and 625,287 Class A Shares. None of the New Gen shareholders had any beneficial ownership interest in the Company prior to completion of the share exchange transaction.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK AND UNCERTAINTIES

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("CSA Notice 51-352"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Legal and Regulatory Matters

United States Federal Overview

In the United States, thirty-one (31) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law. Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses. However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community." While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Arizona Overview:

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. There are 130 licenses in the State which cover all categories of production and sale of cannabis and cannabis related products. In 2010, Arizona became the 14th state to legalize medicinal cannabis for adults over 21 under Proposition 205: the Arizona Medical Marijuana Act (AMMA). Arizona is one of the 30 states to have some form of medical marijuana law in place. The AMMA is regularly used as an example for other states as an effective way to regulate a legal cannabis industry. In Arizona, the dispensaries operate as non-profit entities and engage with management companies to provide real estate rental, administrative, general management and advisory services, financing and logistics to medical marijuana businesses (the dispensaries) licensed under the provisions of the Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1 (the "AMMA") and to provide material support. These management companies exert considerable influence and control over not-for-profit dispensaries. It is illegal in Arizona to possess marijuana in the absence of holding a medical marijuana card. Holders are entitled to purchase not more than 2.5 grams of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales. New Gen and its subsidiaries are in compliance with Arizona's medical marijuana regulatory requirements and programs where applicable.

Regulatory Risks

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

The Company expects to derive most of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company is expected to remain focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Currently, the Company is engaged in the branding and procurement for companies that manufacture and distribute cannabis in the medical and adult-use cannabis marketplace. At September 30, 2018, the Company's assets and revenues are directly attributable to the medical marijuana use in the State of Arizona.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those state's where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold license, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Heightened Scrutiny

For the reasons set forth above, the Company's activities in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Other Regulatory Risks

The activities and products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Cannabis Industries are Highly Competitive

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Operating Risk and Insurance Coverage

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the business and manage operations, and on its ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a client base for its product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and, if applicable, the trading price of its Common Shares on any stock exchange.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Securities and Dilution

There is no assurance that sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

Future capital requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.

SCHEDULE "E"

PRO-FORMA FINANCIAL STATEMENTS

Calyx Growth Corporation

(formerly Fabula Exploration Inc.)

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Expressed in U.S. Dollars, except where specified otherwise)

September 30, 2018

Calyx Growth Corporation (formerly Fabula Exploration Inc.)
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2018
(Unaudited)
(Expressed in U.S. Dollars)

	Calyx Growth Corporation (formerly Fabula Exploration Inc.) as at September 30, 2018 (Note 4)	New Gen Holdings, Inc. as at September 30, 2018	Notes	Pro-forma Adjustments	**Pro-forma Consolidated**
ASSETS					
Current assets					
Cash and cash equivalents	$ 6,349	$ 2,256,388	2a	$ (118,519)	**$ 4,223,903**
			2c	1,764,870	
			2d	37,037	
			2e	92,593	
			2f	185,185	
Accounts receivable	133	11,529,350		-	**11,529,483**
Inventory	-	191,451		-	**191,451**
Due to shareholder	-	204,806		-	**204,806**
Prepaid expenses	-	238,108		-	**238,108**
	6,482	14,420,103		1,961,166	**16,387,751**
Due from related parties	-	2,176,183		-	**2,176,183**
Property, plant and equipment	-	4,133,569		-	**4,133,569**
TOTAL ASSETS	$ 6,482	$ 20,729,855		$ 1,961,166	**$ 22,697,503**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Payables and accrued liabilities	$ 233	$ 1,012,412		$ -	**$ 1,012,645**
Notes payable – current portion	-	1,100,250		-	**1,100,250**
Income tax payable	-	649,379		-	**649,379**
	233	2,762,041		-	**2,762,274**
Deferred tax liabilities	-	3,624,095		-	**3,624,095**
Notes payable – non-current portion	-	377,047		-	**377,047**
	233	6,763,183		-	**6,763,416**
Shareholders' equity					
Share capital – common shares	12,832	20	2a	(12,832)	**3,982,945**
			2a	325,853	
			2a	(209,094)	
			2c	3,551,370	
			2d	37,037	
			2e	92,593	
			2f	185,185	
			2b	(19)	
Share capital – Class A	-	-	2b	19	**19**
Cumulative translation adjustment	197	-	2a	(197)	**-**
Shares to be issued	-	1,786,500	2c	(1,786,500)	**-**
Warrant reserve	-	-	2a	90,575	**90,575**
Share-based payment reserve			2g	162,417	**162,417**
Retained earnings (deficit)	(6,780)	12,180,152	2a	6,780	**11,698,131**
			2a	(319,604)	
			2g	(162,417)	
	6,249	13,966,672		1,961,166	**15,934,087**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,482	$ 20,729,855		$ 1,961,166	**$ 22,697,503**

The accompanying notes are an integral part of these consolidated pro-forma financial statements.

Calyx Growth Corporation (formerly Fabula Exploration Inc.)
PRO-FORMA CONSOLIDATED STATEMENT OF INCOME AND LOSS
For the nine months ended September 30, 2018
(Unaudited)
(Expressed in U.S. Dollars)

	Calyx Growth Corporation for the nine months ended September 30, 2018 (Note 4)	New Gen Holdings, Inc. for the nine months ended September 30, 2018	Notes	Pro-forma Adjustments	**Pro-forma Consolidated**
Revenues					
Management fees	$ -	$ 3,600,000		$ -	**$ 3,600,000**
Professional services	-	5,073,240		-	**5,073,240**
Product sales	-	3,784,861		-	**3,784,861**
Equipment leasing	-	921,279		-	**921,279**
Property leasing	-	476,000		-	**476,000**
	-	13,855,380		-	**13,855,380**
Cost of sales					
Cost of goods sold	-	(2,523,415)		-	**(2,523,415)**
Salaries, wages and contractors	-	(3,318,113)		-	**(3,318,113)**
Gross Profit	-	8,013,852		-	**8,013,852**
Expenses					
Advertising and promotion	-	823,562		-	**823,562**
Amortization	-	384,383		-	**384,383**
Bank changes and interest	42	22,128		-	**22,170**
Insurance	-	37,618		-	**37,618**
Office and general	1,023	206,156		-	**207,179**
Professional and consulting fees	685	573,156		-	**573,841**
Rent, property taxes, and utilities	-	285,466		-	**285,466**
Repairs and maintenance	-	420,777		-	**420,777**
Research and development	-	102,391		-	**102,391**
Salaries, wages, and commissions	-	254,132		-	**254,132**
Share based compensation	-	-	2g	162,417	**162,417**
Travel, training, and meals and entertainment	-	371,328		-	**371,328**
	(1,750)	(3,481,097)		(162,417))	**(3,645,264)**
	(1,750)	4,532,755		(162,417)	**4,368,588**
RTO Transaction expenses	-	-	2a	(319,604)	**(319,604)**
Income (Loss) before income tax expense	(1,750)	4,532,755		(482,021)	**4,048,984**
Income tax expense	-	(1,127,296)		-	**(1,127,296)**
Income (Loss) for the period	$ (1,750)	$ 3,405,459		$ (482,021)	**$ 2,921,688**

The accompanying notes are an integral part of these consolidated pro-forma financial statements.

Calyx Growth Corporation (formerly Fabula Exploration Inc.)
PRO-FORMA CONSOLIDATED STATEMENT OF INCOME AND LOSS
For the twelve months ended December 31, 2017
(Unaudited)
(Expressed in U.S. Dollars)

	Calyx Growth Corporation for the twelve months ended December 31, 2017 (Note 4)	New Gen Holdings, Inc. for the twelve months ended December 31, 2017	Notes	Pro-forma Adjustments	**Pro-forma Consolidated**
Revenues					
Management fees	$ -	$ 4,800,000		$ -	**$ 4,800,000**
Professional services	-	4,047,071		-	**4,047,071**
Product sales	-	4,574,684		-	**4,574,684**
Equipment leasing	-	913,775		-	**913,775**
Property leasing	-	513,200		-	**513,200**
	-	14,848,730		-	**14,848,730**
Cost of sales					
Cost of goods sold	-	(2,211,631)		-	**(2,211,631)**
Salaries, wages and contractors	-	(3,843,524)		-	**(3,843,524)**
Gross Profit	-	8,793,575		-	**8,793,575**
Expenses					
Advertising and promotion	-	437,008		-	**437,008**
Amortization	-	414,176		-	**414,176**
Bank changes and interest	56	84,792		-	**84,848**
Insurance	-	33,462		-	**33,462**
Office and general	1,432	104,317		-	**105,749**
Professional and consulting fees	-	723,002		-	**723,002**
Rent, property taxes, and utilities	-	321,135		-	**321,135**
Repairs and maintenance	-	253,523		-	**253,523**
Research and development	-	70,772		-	**70,772**
Salaries, wages, and commissions	-	335,220		-	**335,220**
Share-based compensation	-	-	2g	162,417	**162,417**
Travel, training, and meals and entertainment	-	380,402		-	**380,402**
	(1,488)	(3,157,809)		(162,417)	**(3,321,714)**
	(1,488)	5,635,766		(162,417)	**5,471,861**
RTO Transaction expenses	-	-	2a	(319,604)	**(319,604)**
Income (Loss) before income tax expense	(1,488)	5,635,766		(481,021)	**5,152,257**
Income tax expense	-	(1,528,534)		-	**(1,528,534)**
Income (Loss) for the year	$ (1,488)	$ 4,107,232		$ (481,021)	**$ 3,623,723**

The accompanying notes are an integral part of these consolidated pro-forma financial statements.

1. PROPOSED TRANSACTION AND BASIS OF PRESENTATION

Calyx Growth Corporation (formerly Fabula Exploration Inc.) ("Calyx" or the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. The Company entered into a Share Exchange Agreement ("SEA") on December 21, 2018, and subsequently, on December 27, 2018, entered into an amendment to the SEA ("Amendment") with New Gen Holdings, Inc. ("New Gen") and its shareholders. Pursuant to the SEA and the Amendment, the Company acquired 100% of New Gen in exchange for 7,395,461 common shares of the Company and 625,287 class A common shares of the Company (the "RTO Transaction"). The RTO Transaction closed on December 31, 2018. New Gen provides management, advisory, cultivation, and dispensary services to a non-for-profit entity in the medical marijuana field.

The unaudited pro-forma consolidated statement of financial position of the Company gives effect to the RTO Transaction as described above. In substance, the RTO Transaction involves New Gen shareholders obtaining control of the Company and accordingly the transaction will be considered to be a reverse takeover transaction with New Gen acquiring the Company. As the Company does not meet the definition of a business under International Financial Reporting Standards ("IFRS"), the consolidated statement of financial position of the consolidated entity will represent the continuation of New Gen. The RTO Transaction has been accounted for as a share-based payment by which New Gen acquired the net assets of the Company. Accordingly, the accompanying unaudited pro-forma consolidated financial statements of the Company have been prepared by management using the same accounting policies as described in New Gen's financial statements for the year ended December 31, 2017 which are consistent with the Company's accounting policies used in its financial statements for the year ended December 31, 2017.

The unaudited pro-forma consolidated financial statements have been prepared for inclusion in the prospectus of the Company for the purpose of allowing the Company to comply with Policy 2 – *Qualification for Listing of the Canadian Securities Exchange* of the Canadian Securities Exchange (the "CSE").

The unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the Company's consolidated financial position on closing of the RTO Transaction had the SEA and the Amendment closed on the dates assumed herein.

The unaudited pro-forma consolidated statement of financial position has been compiled from information derived from and should be read in conjunction with the following information, prepared in accordance with IFRS:

- The Company's audited financial statements for the year ended December 31, 2017;
- The Company's unaudited interim financial statements for the nine months ended September 30, 2018;
- New Gen's audited financial statements for the year ended December 31, 2017;
- New Gen's unaudited interim financial statements for the nine months ended September 30, 2018; and
- The additional information set out in Note 2 of these unaudited pro-forma consolidated financial statements.

(Expressed in U.S. Dollars)

2. PRO-FORMA TRANSACTIONS

The unaudited pro-forma consolidated financial statements gives effect as though the RTO Transaction completed on September 30, 2018. Consequential adjustments to the accumulated deficit are based on the transactions described below.

The unaudited pro-forma consolidated financial statements have been prepared based on the following assumptions:

a) As consideration for 100% ownership of New Gen, the Company issued 7,395,461 common shares in exchange for all of the New Gen class A common shares outstanding and 625,287 class A common shares in exchange for all of the New Gen class B common shares outstanding.

As a result of the share exchange, the former shareholders of New Gen acquired control of the Company and the transaction is treated as a reverse-take-over. The RTO Transaction is accounted for as an acquisition of the net assets of the Company by New Gen via a share-based payment. The excess of the estimated fair value of the equity instruments that New Gen is deemed to have issued to acquire the Company, plus the transaction costs (both the "Consideration") and the estimated fair value of the Company's net assets, will be recorded as the cost of obtaining the listing.

For the purposes of the pro-forma consolidated financial statements, management has estimated the fair value of the equity instruments deemed to be issued by the Company. The fair value of the 630,500 common shares was $116,759, based on the proposed private placement financing of CDN$0.25 per common share.

The listing expense and consideration given for the purposes of the pro-forma consolidated statement of financial position is as follows:

Listing expense:		
Cash	$	(6,349)
Amounts receivable		(133)
Current liabilities		233
Net assets assumed		(6,249)
Consideration given		325,853
RTO Transaction expenses	$	319,604

Consideration given:		
Value of common shares issued by the Company	$	116,759
Transaction finder's fees [1]		109,094
Legal and other estimated transaction costs [2]		100,000
	$	325,853

[1] Transaction finder's fees are made up of cash of $18,519 (CDN$25,000), and 2,000,000 finder's warrants exercisable at CDN$1.00, expiring one year from the closing of the RTO Transaction. The warrants were valued at $90,575 using the Black-Scholes Option Pricing Model, with a volatility of 150%, expected life of 1 year, risk free rate of 1.00%, and a dividend rate of 0%.

[2] The Company has estimated transaction costs to be $100,000

2. PRO-FORMA TRANSACTIONS (continued)

b) New Gen re-organized it's share structure, such that the 2,000 common shares of New Gen outstanding as at September 30, 2018, were cancelled, and in their place, 2,596,300 class A common shares, and 625,287 Class B common shares were issued. This resulted in $19 being transferred from common shares to Class A common shares.

c) New Gen completed a private placement of 4,799,161 shares valued at CDN$1.00 per share for total proceeds of $3,551,370, of which $1,786,500 in cash had been received as at September 30, 2018. Additional proceeds amounted to $1,764,870.

d) The Company completed a private placement of 1,000,000 shares valued at CDN$0.05 per share for total proceeds of $37,037.

e) The Company completed a private placement of 2,500,000 units valued at CDN$0.05 per unit for total proceeds of $92,593. Each unit consists of one common share and one common share purchase warrant exercisable into one common share at CDN$0.25 for one year from the closing of the private placement. These warrants have a fair value of $Nil, using the residual value method of valuation.

f) The Company completed a private placement of 1,000,000 of Special Warrants (each a "Special Warrant") valued at CDN$0.25 per Special Warrant for total proceeds of $185,185 whereby each Special Warrant will automatically convert into one unit on the earlier of the third business day after the date on which the Company obtains the final receipt of a non-offering prospectus by the British Columbia Securities Commission, or the date that is four months and a day from closing of the private placement. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share from the Company at an intended exercise price of CDN$0.25 per share for a period of one year.

g) The Company issued 909,000 stock options to purchase common shares at an exercise price of CDN$1.00 to certain directors, officers, and employees. The options were valued at $162,417 using the Black Scholes Option Pricing Model, with a volatility of 150%, expected life of 10 years, risk free rate of 2.05%, and a dividend rate of 0%.

(Expressed in U.S. Dollars)

3. SHARE CAPITAL

Authorized:
Unlimited common shares without par value
Unlimited Class A common shares without par value – each Class A common share is convertible into 100 common shares

As a result of the RTO Transaction and the pro-forma assumptions and adjustments, the share capital of the combined entity as at September 30, 2018 is comprised of the following:

	Capital Stock							
	Number of Shares – common shares	**Capital Stock – common shares**	**Number of Class A common shares**	**Capital Stock – Class A common shares**	**Shares to be issued**	**Share-based equity reserve**	**Warrant reserve**	**Cumulative translation adjustment)**
New Gen balance as at September 30, 2018	2,000	$ 20	-	$ -	$ 1,786,500	$ -	$ -	$ -
Calyx balance as at September 30, 2018	630,500	12,832	-	-	-	-	-	197
New Gen share re-structure (Note 2b)	(2,000) 2,596,300	(19)	625,287	19	-	-	-	-
New Gen private placement (Note 2c)	4,799,161	3,551,370	-	-	(1,786,500)	-	-	-
RTO Transaction (Note 2a)	(7,395,461)	(12,832)	(625,287)	-	-	-	-	(197)
RTO Transaction (Note 2a)	7,395,461	325,853	625,287	-	-	-	-	-
RTO Transaction costs (Note 2a)	-	(209,094)	-	-	-	-	90,575	-
Calyx private placement (Note 2d)	1,000,000	37,037	-	-	-	-	-	-
Calyx private placement (Note 2e)	2,500,000	92,593	-	-	-	-	-	-
Common shares issued upon conversion of the Special Warrants Calyx private placement (Note 2f)	1,000,000	185,185	-	-	-	-	-	-
Share-based compensation (Note 2g)	-	-	-	-	-	162,417	-	-
Balance, September 30, 2018	**12,525,961**	**$ 3,982,945**	**625,287**	**$ 19**	**$ -**	**$ 162,417**	**$ 90,575**	**$ -**

Options

As of September 30, 2018, the Company had 909,000 stock options outstanding, exercisable at CND$1.00, expiring on January 4, 2029.

Warrants

As of September 30, 2018, the Company had 3,000,000 finance warrants outstanding exercisable at CDN$0.25, expiring one year after the closing of the private placements.

As of September 30, 2018, the Company had 2,000,000 agent warrants outstanding exercisable at CDN$1.00, expiring December 31, 2019.

4. TRANSLATION OF CALYX

Statement of Financial Position as at September 30, 2018

		Calyx Growth Corporation as at September 30, 2018 (Expressed in Canadian Dollars)	Foreign Exchange Rate		Calyx Growth Corporation as at September 30, 2018 (Expressed in U.S. Dollars)
ASSETS					
Current assets					
Cash and cash equivalents	$	8,201	0.774144	$	6,349
Accounts receivable		172	0.774144		133
TOTAL ASSETS	$	8,373		$	6,482
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Payables and accrued liabilities	$	301	0.774144	$	233
Shareholders' equity					
Share capital		16,944	historical		12,832
Cumulative translation adjustment		-			197
Retained earnings		(8,872)	historical		(6,780)
		8,072			6,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	8,373		$	6,482

4. TRANSLATION OF CALYX (continued)

Statement of Loss for the Nine Months Ended September 30, 2018

	Calyx Growth Corporation for the nine months ended September 30, 2018 (Expressed in Canadian Dollars)	Foreign Exchange Rate	Calyx Growth Corporation for the nine months ended September 30, 2018 (Expressed in U.S. Dollars)
Expenses			
Bank changes and interest	$ 54	0.776673	$ 42
Office and general	1,317	0.776673	1,023
Professional and consulting fees	882	0.776673	685
Loss for the period	$ (2,253)		$ (1,750)

Statement of Loss for the Year Ended December 31, 2017

	Calyx Growth Corporation for the year ended December 31, 2017 (Expressed in Canadian Dollars)	Foreign Exchange Rate	Calyx Growth Corporation for the year ended December 31, 2017 (Expressed in U.S. Dollars)
Expenses			
Bank changes and interest	$ 73	0.77006	$ 56
Office and general	1,859	0.77006	1,432
Loss for the year	$ (1,932)		$ (1,488)

5. INCOME TAXES

The effective income tax rate applicable to the consolidated operations is estimated to be 26%.

CERTIFICATE OF CALYX GROWTH CORPORATION

Dated: January 10, 2019

This non-offering prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Calyx Growth Corporation as required by the securities legislation of British Columbia.

(signed) "Jason T. Nguyen"	*(signed) "Robert J. Brilon"*
Jason T. Nguyen Chief Executive Officer	Robert J. Brilon President, Chief Financial Officer, and Corporate Secretary

On Behalf of the Board of Directors

(signed) "David Eaton"	*(signed) "Jonathan Shelton"*
David Eaton Director	Jonathan Shelton Director

CERTIFICATE OF PROMOTER

Dated: January 10, 2019

This non-offering prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by Calyx Growth Corporation as required by the securities legislation of British Columbia.

(signed) "Jason T. Nguyen"

Jason T. Nguyen